I. Appendix 1- Chinese Countervailable Subsidies

1. The Complainant has identified a total of 163 Chinese subsidy programs that may benefit Chinese PET Resin Producers.[1] A complete list of these programs along with their source is available in Public Attachment 1 to Appendix 1.

2. 22 of the subsidy programs listed in Public Attachment 1 to Appendix 1 and described below were included in the US DOC's recent final determination with respect to certain polyethylene terephthalate resin from China ("**US DOC Decision**").[2] In light of the recent finding of the DOC that the programs described below constituted countervailable subsidies, the Complainant underlines the importance of these programs to the present complaint. The DOC period of inquiry ("**POI**") was January 1, 2014 to December 31, 2014, a mere 10 months prior to the commencement of the present period of inquiry. As such, it is reasonable to assert that the programs investigated by the DOC would be in place up to and through October 1, 2015. The remaining 141 programs which may ostensibly provide a benefit to Chinese PET Resin producers are listed, in conjunction with their source document, in the aforementioned Public Attachment 1 to Appendix 1.

A. Background

1. Chinese PET Resin Industry

3. The Government of China ("**GOC**") plays an active role in China's PET Resin Industry. The GOC's 13th five-year plan, introduced in 2016, is focused on the growth and development of the consumer chemical industry. According to a report by published by Roland Berger, China is particularly encouraging the production of standard and high-grade polymers and synthetic rubbers.[3]

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[1] See Public Attachment 1: List of Chinese Programs Potentially Conferring Actionable or Prohibited Subsidies.

[2] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016)

[3] See Public Attachment 3: Roland Berger, "China's Five-Year Plan: A growth program for the chemical market", October 7, 2016, page 11.

4. China's 13th five-year plan seeks to maintain the annual growth of the chemical industry with value added at 8% on average and have 4.9% of profit margin by 2020.[4] Further, the GOC is seeking to accelerate research and design in the plastics sector. [5]

5. The GOC's focus on the PET Resin industry has resulted in a significant number of policies and programs designed to favour the production of PET Resin despite significant overcapacity and reduced demand.

B. Chinese Subsidy Programs to be countervailable by the US

6. The US Department of Commerce (the "**US DOC**") has found 22 Chinese subsidy programs to be countervailable in their Final Determination of the countervailing duty investigation of certain polyethylene terephthalate resin from China.[6]

1. Policy Loans to the PET Resin Industry

7. The GOC emphasized the development of petrochemical and ethylene industries in the 11th Five-Year Plan, as well as the *Guidance Catalogue on Industrial Structural Adjustment*, which highlights the chemical raw material and products manufacturing industry as an encouraged industry at article 6. [7] Chinese PET Resin producers have reported having loans outstanding from state owned commercial banks ("**SOCB**") in the PRC between January 1, 2014 and December 31, 2014.[8]

8. PET Resin producers have profited from preferential policy loans promulgated by the GOC. The Complainant submits that these loans, aimed at developing the petrochemical

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[4] See Public Attachment 4: King and Spalding, China Subsidy Exchange "China issues 13th Five-year Plan for the Petrochemical and Chemical Industry", October 25, 2016.

[5] See Public Attachment 5: Xinhua Finance Agrency, "CPCIF unveils guidelines for Petrochemical industry in 2016-2020, April 13, 2016

[6] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016)

[7] Public Attachment 6: AsianLII Laws of the Peoples Republic of China "Temporary Provision on Promoting Industrial Structure Adjustment" No. 40 [2005] of the State Council, article 6.

[8] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2015) page 30.

industry, and, more specifically, the ethylene sector, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds. A benefit under s. 28 of SIMR is conferred being the difference between the interest actually paid and the interest on a comparable non-guaranteed commercial loan. The program is specific under s. 2(7.2)(a) of SIMA as it is limited to a particular industry within the jurisdiction of the authority granting the subsidy, that is the Chinese PET Resin industry.

2. Preferential Export Financing

9. Chinese PET Resin producers have reported receiving loans from the Export-Import Bank of China ("**EXIM Bank**") for purchases of materials, fixed facilities and imports in the DOC's POI.[9] The China EXIM Bank primarily offers overseas financing through a range of activities such as export credits (including export seller's credit and export buyer's credit), international guarantees, loans for overseas construction and investment, and official lines of credit.[10]

10. The Complainant submits that these export loans, aimed financing exports, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds. A benefit under s. 28 of SIMR is conferred is the difference between the interest actually paid and the interest on a comparable non-guaranteed commercial loan. The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.

3. Export Sellers Credits

11. Export Sellers Credit Loans are provided to domestic Chinese companies through the China EXIM Bank and are based on export performance.[11] Chinese PET Resin Producers have reported receiving these loans during the DOC POI.[12]

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[9] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 31.

[10] Public Attachment 7: European Parliament Policy Department "Report on Chinese Export Financing" page 3.

[11] Public Attachment 8: China EXIM Bank, Loan Facilities "Export Sellers Credit".

[12]Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 32.

12. The Complainant submits that these export loans, aimed financing exports, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds

13. A benefit under s. 28 of SIMR is conferred being the difference between the interest actually paid and the interest on a comparable non-guaranteed commercial loan. The program is specific under s. 2(7.2)(a) and (b) of SIMA as it is contingent upon export performance, further, the credits are differentiated based on industry.[13]

4. Import Tariff and VAT exemptions on Imported Equipment in Encourages Industries

14. In July 2014, the State Administration of Foreign Exchange of China ("**SAFE")** released the *Circular on the Relevant Matters Concerning Foreign Exchange Administration on Outbound Investment/Financing and Roundtrip Investment through Special Purpose Companies by Domestic Entities or Individuals* ("**Circular 37**") which exempts Foreign Invested Enterprises ("**FIE**s") and certain domestic enterprises from VAT and tariff on imported equipment used insofar as the equipment does not fall into the list of exclusions.[14]

15. The purpose of this exemption is to introduce foreign technology and equipment into encouraged industries. Chinese PET Resin producers have reported receiving VAT and tariff exemptions under this program as FIEs. [15] The Complainants submit that this program is a financial contribution under s. 2(1.6)(b) of SIMA in the form of revenue foregone by the GOC. A benefit is conferred in the amount of tax that is exempted. It is a specific subsidy under s. 2(7.2)(a) because it is conditional on (i) the enterprise being a FEI or a non-excluded domestic industries.

[13] Public Attachment 9: China EXIM Bank, Loan Facilities.

[14] Public Attachment 10: Norton Rose Fulbright "China Outbound and Roundtrip Investment: New SAFE rules introduce greater flexibilities" (July 22, 2014).

[15] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 33.

5. Provision of MEG and PTA for Less Than Fair Market Value

16. Certain producers of MEG and PTA (the predominant inputs for PET Resin) are SOEs and are vested with government authority (for example, CCF Group). These SOES provide MEG and PTA to Chinese PET Resin producers at less than fair market value, thus resulting in a financial benefit, being the difference between the fair market value of the goods and the price at which the goods were provided by the SOE. The level of government control over the SOE's allows the effectuation of GOC goals and policy. The GOC has confirmed that several of the producers of MEG and LTA are SOEs.[16]

17. The Complainant submits that this provision is a financial contribution under s. 2(1.6)(c) of SIMA as the provision of MEG and LTA at less than market value and confers a benefit in the amount saved compared to market values of the inputs within the meaning of s. 36 of the SIMR. It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies and inputs.

6. Provision of Electricity for Less Than Fair Market Value

18. China's electricity providers are SOEs, which permit the GOC to promulgate policy through reduced electricity rates. The US DOC determined, using adverse inferences, that the GOC's provision of electricity conferred a financial benefit to PET Resin Producers in China. [17]

19. The Complainant submits that the provision of electricity is a financial contribution under s. 2(1.6)(c) of SIMA as the supply of electricity at less than market value confers a benefit in the amount saved compared to market values of electricity within the meaning of s. 36 of the SIMR. It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies, industries and regions of China.

[16] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 33.

[17] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 35.

7. Energy Savings Tech Program

20. The GOC, through the Xiamen Municipal Bureau of Economic and Information Technology has provided grants to PET Resin Producers in China.[18] The Complainants submit that the grants provided under the *Energy Savings Tech Program* constitute a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds. A benefit is conferred in the amount of the grant under s. 27 of the SIMR. This grant is limited to technological industries and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

8. Vat Refunds for FIEs Purchasing Domestically-Produced Equipment

21. Pursuant to this program, the GOC refunds the VAT on purchases of certain domestically produced equipment to FIEs if the purchases are within the enterprise's investment amount and if the equipment falls under a tax-free category. Eligibility criteria for this program is set out in the in the *Trial Implementation Measures on Tax Refund Administration for the Purchase of Home-made Equipment for Foreign-funded Projects*.[19]

22. This program was found to be countervailable in the CBSA's *Photovoltaic Modules* decision. The Complainant submits that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA insofar as amounts that would otherwise be owing and due to the government are exempted, and confers a benefit to the recipient equal to the amount of the exemption. This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encourages industries.

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[18] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 25.

[19] Public Attachment 11: Notice of the State Administration of Taxation and the National Development Reform Commission on Issuing the "Trial Implementation Measures on Tax Refund Administration for the Purchase of Home-made Equipment for Foreign Funded Projects" (No. 111 [2006] of the State Administration of Taxation).

9. 2013 Annual Incentive Fund Stable Foreign Trade policy

23. The GOC supports exporting enterprises through this subsidy program, through the provision of subsidies to entities that have purchased export credit insurance.[20] The Complainant submits that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA.. A benefit is conferred in the amount of the subsidy under s. 27 of the SIMR. The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.

10. Jiangsu Province Export Premium Subsidy

24. The GOC supports exporting enterprises through this subsidy program.[21] This program was established under the document titled, "SCQ [2006] No.34 Interim Administration Method of Support Development Fund for Policy Export Credit Insurance in Jiangsu Province". The CBSA determined that this program constituted a countervailable subsidy in *Photovoltaic Modules.*[22]

25. The Complainant submits that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. A benefit is conferred in the amount of the subsidy under s. 27 of the SIMR. The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.

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[20] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 38.

[21] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 39.

[22] *Photovoltaic Modules and Laminates* (Statement of Reasons) March 20, 2015.

11. Transition Gold Support

26. The GOC supports domestic companies through this subsidy program.[23] In the US DOC decision, certain PET Resin Producers reported receiving this subsidy. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is limited to certain industries and equipment and is therefore specific pursuant to s. 2(7.2)(b) of SIMA.[24]

12. IM/EX Credit Insurance/2013 Trade Policy award

27. The GOC supports exporting enterprises through this subsidy program.[25] In the US DOC decision, certain PET Resin Producers reported receiving this financial contribution. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. A benefit is conferred in the amount of the subsidy under s. 27 of the SIMR. The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.

13. Overseas Investment Discount (Jiangsu Province DOC)

28. This subsidy program supports Chinese corporations undertaking foreign investments. According to Sanfangxiang Group, the eligibility criteria for receiving benefits under this program are: legal incorporation within China, authorized by (an unnamed) relevant authority to conduct foreign investment activities, and no record of criminal activity.[26]

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[23] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 39.

[24] Public Attachment 12 : US DOC ITA Federal Register, 81 FR 13337, March 14, 2016, I. Summary at para 11.

[25] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 39.

[26] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 39.

Entities applying for this funding must submit a timely application that details foreign investments.[27]

29. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is limited to industries participating in foreign investment and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

14. Energy Saving

30. Certain PET Resin Producers reported receiving funds under this program in the US DOC investigation. The Complainants submit that the grants provided under the *Energy Savings Program* constitute a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds. A benefit is conferred in the amount of the grant under s. 27 of the SIMR. This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

15. Tech Reform Interest Subsidy

31. Certain PET Resin Producers reported receiving funds under this program in the US DOC investigation. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is limited to industries participating in foreign investment and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

[27] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 39.

16. Refund of Land Use Tax

32. A refund of land use tax was available to certain PET Resin Producers located in Jiangsu, as the industry is categorized as “supported’ by the provincial government.[28]

33. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

17. Income Tax Deduction for New High Tech Enterprise (“NHTE”)

34. The GOC grants companies classified as NHTE income tax preference of 10 percentage points.[29] The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities.

35. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is industry specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

18. Project Subsidy from Haicang Bureau of Science and tech

36. Certain PET Resin Producers reported receiving funds under this grant program in the US DOC investigation. This subsidy is regionally specific and limited to enterprises in the science and technology sector. The Complainants submit that the grant provided under this program constitutes a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds. A benefit is conferred in the amount of the grant under s. 27

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[28] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People’s Republic of China* (March 4, 2016) page 40.

[29] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People’s Republic of China* (March 4, 2016) page 41.

of the SIMR. This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

19. VAT Refunds for FIEs Purchasing Domestically Produced Equipment

37. Under this program, the GOC refunds VAT paid by FIEs for the purchase of certain domestically produced equipment where the equipment does not fall into the non-duty exemptible catalogue and the value of the equipment does not exceed the total investment limit of an FIE, as provided under the Trial Administrative Measures on Purchase of Domestically Produced Equipment by FIEs (GOUSHUIFA (1999) No. 171).[30]

38. The Complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA and confers a benefit in the amount of the subsidy to the company pursuant to s. 2(1) of SIMA. This grant is limited to domestically produced equipment and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.

20. "Other Subsidies" Found Countervailable by the US DOC

39. The following subsidy programs were deemed to confer a financial contribution to Chinese PET Resin Producers through the use of adverse facts available. Accordingly, the Complainants submit that the following grants constitutes a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds. A benefit is conferred in the amount of the grant under s. 27 of the SIMR.

- Bounty for Enterprise with Production and Sales Growth.[31]
- Enterprise financing Subsidy.[32]

[30] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 37.

[31] Public Attachment 2: US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 42.

[32] *Ibid.*

40. The Complainant submits that the 22 programs described above have conferred contributions to the Chinese PET resin producers in the form of countervailable subsidies. In light of the DOC's finding that the aforementioned programs are countervailable, the CBSA may similarly determine that Chinese PET resin producers have received financial benefits pursuant to this complaint.

41. The Complainant has identified a further 141 Chinese subsidy programs that may benefit Chinese PET Resin Producers. A complete list of these programs along with their source is available in Public Attachment 1 to Appendix 1. [33]

[33] See Public Attachment 1: List of Chinese Programs Potentially Conferring Actionable or Prohibited Subsidies.

List of Attachments

Tab #	Description
Public Attachment 1	List of Chinese Programs Potentially Conferring Actionable or Prohibited Subsidies
Public Attachment 2	US DOC, Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China (March 4, 2016)
Public Attachment 3	Roland Berger, "China's Five-Year Plan: A growth program for the chemical market", October 7, 2016
Public Attachment 4	King and Spalding, China Subsidy Exchange "China issues 13th Five-year Plan for the Petrochemical and Chemical Industry", October 25, 2016
Public Attachment 5	Xinhua Finance Agency, "CPCIF unveils guidelines for Petrochemical industry in 2016-2020, April 13, 2016
Public Attachment 6	AsianLII Laws of the Peoples Republic of China "Temporary Provision on Promoting Industrial Structure Adjustment" No. 40 [2005] of the State Council
Public Attachment 7	European Parliament Policy Department "Report on Chinese Export Financing"
Public Attachment 8	China EXIM Bank, Loan Facilities "Export Sellers Credit"
Public Attachment 9	China EXIM Bank, Loan Facilities
Public Attachment 10	Norton Rose Fulbright "China Outbound and Roundtrip Investment: New SAFE rules introduce greater flexibilities" (July 22, 2014)
Public Attachment 11	Notice of the State Administration of Taxation and the National Development Reform Commission on Issuing the "Trial Implementation Measures on Tax Refund Administration for the Purchase of Home-made Equipment for Foreign Funded Projects" (No. 111 [2006] of the State Administration of Taxation)
Public Attachment 12	US DOC ITA Federal Register, 81 FR 13337, March 14, 2016, I.

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Debt-to-Equity Swaps	The purpose of this program is to financially restructure China's state owned enterprises (SOE) and state-owned banks. The State Council established four asset management companies (AMCs) that were directed to purchase certain non-performing loans from state-owned banks. The four AMCs were supervised and managed by the People's Bank of China, China's Ministry of Finance and the China Securities Regulatory Commission. A debt-to-equity swap is a transaction in which a creditor, in this case AMC, forgives some or all of a company's debt in exchange for the equity in the company (sourced from Reuters.com, "China debt-to-equity swap could 'resolve' $154 bln in potential bad debt -Caixin").	The program is specific under s. 2(7.2)(a) of SIMA as it is restricted only to selected entities participated by the State and the award of this financing is discretionary and no objective criteria exists.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing, Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.05% (EU - Organic Steel)
Dividend exemption between qualified resident enterprises	This program consists of a preferential tax treatment for Chinese resident enterprises that are shareholders in other Chinese resident enterprises in the form of tax exemption on income from certain dividends, bonuses and other equity investments for the resident parent enterprises (provided description is sourced from decision in column four).	The program is specific under s. 2(7.2)(a) of SIMA, as it limits its access only to enterprises resident in China receiving dividend income from other resident enterprises.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.77% (EU - Organic Steel)
Equity Infusions	Over the years, the GOC has provided substantial amounts of cash to chemical and plastic producers through equity infusions. The GOC (through various state-owned entities) acquired shares in companies in which it was already the main shareholder without acquiring (provided description is sourced from decisions in column four). The Complainant submits that this GOC program would constitute a financial contribution under s. 2(1.6)(a) of SIMA as this GOC program involves the direct transfer of funds.	Equity infusions are specific under s. 2(7.2)(a) of SIMA because funds were provided to a limited number of selected entities in which the government participated.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.08% (EU - Organic Steel)

Direct Transfer of Funds - Equity infusion

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Unpaid Dividends	State-owned enterprises, including PET Resin producers, do not have to pay dividends to the GOC as their owner even when they earn profits. This program is aimed at exempting government owned industries, such as the plastic industry. Changtian Plastic and Chemical Company, operating out of Xiamen City in the Fujian Provence of the People's Republic of China, declared no dividends in their first quarter financial statement for 2016 (Changtian Plastic & Chemical Limited, *First Quarter Financial Statements for the Three Months Ended 31 March 2016* (2016) page 14). The Complainant submits that this GOC program constitutes a financial contribution under s. 2(1.6)(b) of SIMA, as amounts that would otherwise be owing to the government are not collected.	Unpaid dividends are specific under 2 (7.2)(a) of SIMA because the program provides benefits to a limited number of selected entities in which the government is involved.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,EU-Organic Steel,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	1.36% (EU - Organic Steel)

Direct Transfer of Funds - Equity infusion

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
"Large and Excellent" Enterprises Grant	"Large and Excellent" Enterprises Grant, applies to large enterprises (no further information available from investigating authorities)	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
"Two New" Product Special Funds of Guangdong Province	Applicable to plants located in Guangdong province (provided description is sourced from decisions in column four).	Insufficient information was provided to the US Department of Commerce Import Trade Administration about a grant under this program. The ITA therefore considered that it was a countervailable subsidy based on adverse inferences.	United States-Stainless Steel Sinks, Canada-Photovoltaic modules and laminates	0.07% (United States - Stainless Steel Sinks)
2007 Technology Innovation Award	This program was established by governments at the local level to promote technology innovation and energy savings. The granting authority responsible for this program is the Changzhou economic & Trade Commission (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG)	
2008 National Science & Technology Support Fund	2008 National Science & Technology Support Fund	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	United States-Concrete Steel Wire Strand	0.45% (United States - Concrete Steel Wire Strand)
Energy Saving	Certain PET Resin Producers reported receiving funds under this program in the US DOC investigation (provided description is sourced from decisions in column four). The Complainants submit that the grants provided under the Energy Savings Program constitute a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds.	This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, USA-Polyethylene Terephthalate	0.04%- USA- Polyethylene Terephthalate
Advanced Science/Technology Enterprise Grant	Advanced Science/Technology Enterprise Grant given for being an advanced enterprise. It is administered by a local provincial government (provided description is sourced from decision in column four).	Due to lack of cooperation from exporters and the GOC, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Allowance to Pay Loan Interest (Zhongshan City, Guangdong)	The program was provided and administered by the Economic and Trade Office of the Huangpu government in Zhongshan City, Guangdong Province. The granting authority is the Zhongshan Municipal government (provided description is sourced from decisions in column four).	Applicable to PET Resin plants located in Guangdong province. Insufficient information was provided by the exporters and the GOC to the investigating authorities. Because of the lack of cooperation, the program was considered to be specific and countervailable.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Stainless Steel Sinks,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.09% (United States - Stainless Steel Sinks)
Assistance for Optimizing the Structure of Import/Export of High-Tech Products	Grants for the Assistance for Optimizing the Structure of Import/Export of High- Tech Products, which is contingent upon export sales (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Concrete Steel Wire Strand,Canada-Galvanized Steel Wire and Photovoltaic Modules and Laminates	0.02% (United States - Concrete Steel Wire Strand)
Assistance for Technology Innovation – R&D Project	Grants for the Assistance for Technology Innovation – R&D Project, which is contingent upon export sales. This program was established in the document titled, “Interim Opinions on Promoting Economic Restructuring and Upgrading and Technological Innovation Incentives”. The program was administered by Changshu Xinzhuang Town Government (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Concrete Steel Wire Strand, Canada - Photovoltaic Modules and Laminates	0.02% (United States - Concrete Steel Wire Strand)
Award for Advanced Enterprises	Applicable to scientific and technological enterprises (provided description is sourced from decision in column four).	The program is specific under s. 2(7.2)(a) of SIMA as it is limited to scientific and technological enterprises.	Canada-Steel Piling Pawaripe	
Award for Good Performance in Paying Taxes	Grant provided to Chinese producers for good performance in paying taxes (provided description is sourced from decisions in column four).	The grant is specific under s. 2(7.2)(a) of SIMA as it is limited to the top 20 income tax-payers in a variety of economic zones.	United States-Wind Towers, Canada-Photovoltaic modules and laminates	0.02% (United States - Wind Towers)
Award for Taicang City to Support Public Listing of Enterprises	The Taicang City government awarded bonus payments to companies in recognition of the company’s successful listing on the Shenzhen Stock Exchange (provided description is sourced from decision in column four).	The grant was expressly limited to firms undertaking an IPO, and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Wind Towers	0.06% (United States - Wind Towers)
Award of Taxpayers in Yanghang Industrial Park	This program appears to be established by governments at the local level and was established to provide grants to taxpayers located in Yanghang Industrial Park (provided description is sourced from decision in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific nature of the subsidy suggests that it is specific.	Canada-Metal Bar Grating	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Awards for Taicang City to Promote Development of Industrial Economy for the Three-year Period of 2010 to 2012	A grant which company received for doubling output in three years (provided description is sourced from decision in column four).	This grant is industry specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Wind Towers	0.02% (United States - Wind Towers)
Awards for the Contributions to Local Economy and Industry Development	Awards for the Contributions to Local Economy and Industry Development.	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Galvanized Steel Wire and Photovoltaic modules and laminates	
Awards to Enterprises Whose Products Qualify for "Well-Known Trademarks of China" or "Famous Brands of China"	This program was established in 2007 for the purpose of rewarding enterprises whose brands were recognized as well-known trademarks. Specifically, enterprises first apply for well-known trademark status and then apply for grants under this program (provided description is sourced from decisions in column four).	The subsidy is limited to companies designated as having well-known trademarks is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Concrete Steel Wire Strand,United States-Steel Grating,Australia-Hollow Structural Sections,EU-Organic Steel,Canada-Galvanized Steel Wire,Canada-Galvanized Steel Wire, Canada - Photovoltaic Modules and Laminates	0.01% (United States - Concrete Steel Wire Strand) - 0.03% (United States - Citric Acid and Certain Citrate Salts)
Business Development Overseas Support Fund (Foshan)	The granting authority is the Foshan Shunde Finance Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Changzhou Qishuyan District Environmental Protection Fund (Jiangsu)	Based on the information available, this program was established by governments at the local level to protect the environment respecting sewage disposal. The granting authority responsible for this program is the Environment Protection Bureau of Qishuyan District of Changzhou (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Changzhou Technology Plan (Jiangsu)	Based on the information available, this program was established by governments at the local level to encourage and support enterprises to develop new technologies. The granting authority responsible for this program is Changzhou Science and Technology Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The new technology and region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	
Circular on Issuance of Management Methods for Foreign Trade Development Support Fund	This provisional measure provides assistance to companies to expand the exportation of high-tech products and equipment manufacturing products, and supports the development of enterprises located in Liaoning Province. Firms with an annual export value of $1,000,000 to $5,000,000 are eligible to receive grants from the Ministry of Foreign Trade and Economic Cooperation (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(a) of SIMA as it is contingent upon export performance.	United States-Concrete Steel Wire Strand, Canada-Photovoltaic modules and laminates, United States-Carbon Quality Steel Line Pipe	0.05% (United States - Concrete Steel Wire Strand) 0.43% (United States - Carbon Quality Steel Line Pipe)
Debt Forgiveness	The GOC forgives certain debts owing by certain companies (provided description is sourced from decisions in column four).	Limited to particular companies, and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Circular Welded Carbon Quality Steel Pipe,United States-Oil Country Tubular Goods, Canada-Photovoltaic modules and laminates	0.07% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe) 1.08% (United States - Circular Welded Carbon Quality Steel Pipe)
Emission Reduction and Energy-saving Award	This program is administered by the Jiangsu Environmental Protection Department. The source of funding is the Finance Department of Jiangsu Province. This program is intended to support the emission-reduction work of major pollutants and the program came into force in September 2008 (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Oil Country Tubular Goods (OCTG), Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada - Photovoltaic Modules and Laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Energy Savings Tech Reform	The GOC, through the Xiamen Municipal Bureau of Economic and Information Technology has provided grants to PET Resin Producers in China. The Complainants submit that the grants provided under the Energy Savings Tech Program constitute a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds (provided description is sourced from decision in column four).	This grant is limited to technological industries and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	US-Polyethylene Terephthalate.	0.05% (United States- Polyethylene Terephthalate)
Energy-Saving Technique Special Fund	Based on the information available, this program was established by governments at the local level to encourage the development of energy-saving technologies. The granting authority responsible for this program is the Changzhou Economic & Trade Commission (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire	
Energy-saving Technology Renovation Fund	This program was established to provide support and incentives for energy-saving projects. The administrative authorities responsible for this program are the Ministry of Finance and the National Development and Reform Commission. The granting authority is the Finance Department of Jiangsu Province (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Oil Country Tubular Goods (OCTG), Canada - Photovoltaic Modules and Laminates	
Enterprise Innovation Award of Qishuyan District (Jiangsu)	Based on the information available, this program was established by governments at the local level to encourage and support enterprises to develop high-tech products. The granting authority responsible for this program is the Qishuyan District Government of Changzhou (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The high-tech basis for the subsidy suggests that it is a specific subsidy.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Enterprise Technology Centers (e.g. Tianjin City and Jinnan District)	This program was established in the Notice on the Confirmation ofthe 15th Enterprise Technology Centres at the Municipal Level, Jin Jing Ke (2008), No. 15, which was issued on June 30, 2008. This program was established to setup and approve enterprise technology centres in Tianjin and Jinnan District. The granting authorities responsible for this program are Tianjin City Economic Committee and Tianjin City Science & Technology Committee (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire	
Environment Protection Award (Jiangsu)	This program was established to provide financial assistance to enterprises for environmental protection. The administrative authority responsible for this program is the Environmental Protection Bureau of Jiangsu Province. The granting authority is the Jiangdu Finance Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	
Export Assistance Grant	The funds provided under this program are for the purpose of: (i) holding or participating in overseas exhibitions, (ii) accreditation fees for quality management system, environment management system or for the product, (iii) promotion in the international market, (iv) exploring a new market, (v) holding training seminars and symposiums, and (vi) overseas bidding (provided description is sourced from decisions in column four)..	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Galvanized Steel Wire,United States- Stainless Steel Sinks,Canada-Galvanized Steel Wire,Canada-Galvanized Steel Wire, Canada - Photovoltaic Modules and Laminates	0.04% (United States - Stainless Steel Sinks) - 0.21% (United States - Galvanized Steel Wire)

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Export Brand Development Fund	This program appears to be established by the State government and administered by the provincial authorities. A document entitled Notice on Issuing the Directive on Supporting the Development of Name Brands for Export, within its Foreign Trade Development fund, the state shall arrange a special item under the heading "export brand development fund" to support enterprises in building up their independent brands and nurture and develop name brand exports (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada - Photovoltaic Modules and Laminates	
Export Credit Subsidy Programs: Export Buyer's Credits	Export-Import Bank of China (EX-IM Bank) provides loans at preferential rates for the purchase of exported goods from the PRC. This program was established under the document titled, "SCQ [2006] No.:34 Interim Administration Method of Support Development Fund for Policy Export Credit Insurance in Jiangsu Province" (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the US Department of Commerce Import Trade Administration. Because of the lack of cooperation, the ITA drew an adverse inference that the program was specific and countervailable. The export oriented nature of the subsidy suggests that it is specific.	United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Carbon Quality Steel Line Pipe,United States-Oil Country Tubular Goods,United States- Wind Towers, Canada - Photovoltaic Modules and Laminates	0.08% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe) - 10.54% (United States - Crystalline Silicon Photovoltaic Cells)
Financial Special Fund for Supporting High and New Technology Industry Development Project	Financial Special Fund for Supporting High and New Technology Industry Development Project (no further information available from investigating authorities).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire	
Financial Subsidy	A financial subsidy from the provincial government. The granting authority is identified as the Finance Department of Jiangsu Province. Companies received a grant under this program for cross-border settlement, meeting import and export qualifications and participating in foreign fairs and product certification, and related to exhibitions (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Oil Country Tubular Goods (OCTG), Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Five Points, One Line Strategy in Liaoning Province	This program was established in the Several Opinions of the People 's Government of Liaoning Province on Encouraging the Extended Opening-up ofthe Coastal Development. The "five Points" include the following five industrial zones in Liaoning province: Dalian Changxing Island Seaport Industrial Zone, Yingkou Coastal Industrial Base, Liaoxi Jinzhou Bay Coastal economic Zone, Dandong Industrial Zone and Dalian Huayuankou economic Zone. Under this program, the Liaoning provincial government provides refunds of VAT and business tax, income tax reduction/exemption, interest subsidy and fee exemptions to enterprises located within the above mentioned five industrial zones. The granting authority responsible for this program is the Liaoning Development and Reform Commission (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Steel Piling Pipe,United States-Carbon Quality Steel Line Pipe	0.3% (United States - Carbon Quality Steel Line Pipe)
Foreign Trade Development Fund Program - Grants	The Foreign Trade Development Fund supports projects undertaken by exporting enterprises to improve the competitiveness of their exported products, to develop an export processing base, to support the registration of trademarks in foreign countries, to support the training of foreign trade professionals, and to explore international markets. Companies received this grant for participating in activities related to foreign trade development (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Carbon Quality Steel Line Pipe, Canada-Photovoltaic modules and laminates	0.05% (United States - Carbon Quality Steel Line Pipe) - 0.08% (United States - Carbon Quality Steel Line Pipe)
Fund for SME Bank-Enterprise Cooperation Projects	Under the program, financial institutions in the PRC decide whether to extend credit to certain eligible SMEs. If they decide to do so, the PGOG provides loan interest assistance to the SME that received the financing from the financial institution (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises in encouraged industries.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

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Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Funds for Outward Expansion of Industries in Guangdong Province	The purpose of the program is to provide eligible private enterprises in Guangdong Province special funding for the development of export activities.The Implementing Measures indicate that this program supports the development of international trade and economic cooperation through the establishment of different funds to provide payments to enterprises for international market exploration, export credit insurance assistance, the development of trade through science and technology, export product research and development, support for defense expenses in antidumping duty cases, loan interest grants for various export-related loans and development of outward-looking enterprises (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Funds of Guangdong Province to Support the Adoption of E-Commerce by ForeignTrade Enterprises	The program supports adoption of e-commerce by foreign trade enterprises in Guangdong Province (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Stainless Steel Sinks, Canada-Photovoltaic modules and laminates	0.01% (United States - Stainless Steel Sinks)
Government Export Subsidy and Product Innovation Subsidy	Chinese producers may receive grants based on export performance. Companies received a grant under this program for adopting advanced technology and methods to improve enterprises' quality management (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Steel Wheels	0.02% (United States - Steel Wheels)
Large Taxpayer Award	The purpose of the grant is to encourage companies to expand and to provide financial support. This program was established under the document titled, "Methods on assessment and awarding of major taxpayer". The program was administered by the Qidong Development and Reform Commission (provided description is sourced from decisions in column four).	Insufficient information was provided to the Canada Border Services Agency for the program to be eliminated as a countervailable subsidy and therefore it continued to be considered to a countervailable subsidy.	Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Patent Application Assistance	This purpose of this program is to assist firms complete patent applications (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises in encouraged industries.	Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
State Service Industry Development Fund	State Service Industry Development Fund - companies received a grant under this program for importing and exporting goods. The program was developed under the document titled, "The Development of Foreign Trade And Economic Cooperation - He Shang Wai Mao [2014] No. 62" (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	A grant to encourage the establishment of company headquarters that would reasonably be used to administer all or multiple activities of the company (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises in encouraged industries.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Grants for International Certification	Companies received a grant under this program for international product certification. The program was developed under the document titled, "QCG[2011]No.6 Detailed Measures for Implementing Special Business Development Fund of Qidong City to Support Transformation and Upgrading of Foreign Trade and Economic Cooperation" and QCG[2011]No.42 Detailed Rules for the Implementation of the Measures for Administration of International market developing funds of Small and Medium-sized Enterprises of Jiangsu Province" (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The export oriented nature of the subsidized activities also suggests that the subsidy is specific because it is based on export performance.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire	0.49% (Canada - Pup joints)
Grants to Privately-Owned Export Enterprises	Under this program, enterprises located in Tianjin city and elected as "Top Ten Privately-owned Export Enterprises of Tianjin for the Year of 2008" may receive grants from the local government. The granting authority responsible for this program is the Government of Tianjin City (provided description is sourced from decisions in column four).	Due to lack of response to information requests, the Canada Border Services Agency did not have sufficient information to determine that this programs should be removed from the investigation for the purposes of the final determination.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada – Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Guaranteed Growth Fund	Guangdong Supporting Fund (no further information available from investigating authorities).	Due to lack of response to information requests, the Canada Border Services Agency did not have sufficient information to determine that this programs should be removed from the investigation for the purposes of the final determination.	Canada-Pup joints, Canada – Photovoltaic modules and laminates	
Hangzhou City Government Grants Under the Hangzhou Excellent New Products/Technology Award	Companies received a grant under this program for accelerating transformation of industry. This program was administered by the local municipal government (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Steel Wheels, Canada-Photovoltaic modules and laminates	0.01% (United States - Steel Wheels)
Huzhou City Quality Award	The award is granted to no more than three enterprises each year that are registered in Huzhou City and have been in operation for more than three years and that have: ‘enjoyed excellent performance’; ‘implemented quality management’; and ‘obtained a leading position in industry with significant economic benefits and social benefits’ (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises in encouraged industries.	Australia-Hollow Structural Sections	
Huzhou Industry Enterprise Transformation & Upgrade Development Fund	The purpose of the program is to promote industrial structure adjustment and upgrading, and to support technology updating and innovation of enterprises (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Australia-Hollow Structural Sections	
Innovative Experimental Enterprise Grant	This purpose of this program is to accelerate technology development in Zhejiang Province (provided description is sourced from decisions in column four).	The subsidy is specific as the criteria or conditions providing access to the subsidy favours particular enterprises, being those fund recipients, over all other enterprises.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

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Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Interim Measures of Fund Management of Allowance for Zhongshan Enterprises to Attend Domestic and Overseas Fair (Zhongshan)	This program was issued by the Zhongshan Municipal People's Government office in Documents Zhongfuban [2009] No. 48. This program was established to promote the sustainable development of the economy, to encourage local enterprises to develop domestic and international markets, and to improve the implementation of market diversification strategies for enterprises. The program is administered by the Municipal Economic and Trade Bureau and Foreign Economic and Trade Bureau (provided description is sourced from decisions in column four).	Encourage enterprises in Zhongshan City to explore international markets, we determine that this program is contingent upon export and, therefore, specific.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Stainless Steel Sinks, Canada-Photovoltaic modules and laminates	0.05% (United States - Stainless Steel Sinks)
International Market Fund for Export Companies (Jiangmen City)	This program was established in a document titled 'Measure JiangCaiWai [2010] No. 92' in order to provide support to companies that have export business. This program was administered by Local Finance Funds in Jianghai District, Jiangmen City (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The export oriented nature of the subsidized activities also suggests that the subsidy is specific because it is based on export performance.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada- Galvanized Steel Wire	

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Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
International Market Fund for Small- and Medium-sized Export Companies) [Matching Funds for International Market Development for SMEs]	This program was established in a document titled'Measure CaiQi [2010] No. 87' in order to provide support for export companies identified as small and medium- sized enterprises. The funds are provided for developing international markets including overseas exhibitions, certification ofenterprise management system, various product certifications, foreign patent applications, promotional activities in international markets, electronic business, foreign advertisement and trademark registration, international investigation, bids (negotiations) abroad, enterprise training, foreign technology and brand acquisition, etc. Benefits granted to an enterprise under this program shall not exceed 50% ofthe total expenditure paid by the enterprise. This program is administered jointly by the Ministry of Finance and Ministry of Commerce (provided description is sourced from decisions in column four).	Contingent on eligible enterprises meeting certain criteria included the size of the company and a focus on exports.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Stainless Steel Sinks,United States-Wind Towers,Australia-Hollow Structural Sections,Canada- Galvanized Steel Wire,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - Aluminum Extrusions) - 0.04% (United States - Stainless Steel Sinks)
Investment Grants from Fuyang City Government for Key Industries	Certain producers are designated "key industry" and thus received grants based on investment. Companies received a grant under this program from the Finance Bureau (provided description is sourced from decisions in column four).	Limited to designated "key industries".	United States-Steel Wheels, Canada-Photovoltaic Modules and Laminates	0.06% (United States - Steel Wheels)
Jiangdu City Industrial Economy Performance Award (Jiangsu)	This program was established to encourage industrial enterprises to speed up technological transformation, product development and brand building. The administrative authority responsible for this program is the Jiangdu economic and Development Commission. The granting authority is the Jiangdu Finance Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Oil Country Tubular Goods (OCTG),Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe	
Modern Service Grant	A grant from an unknown level of government for marketing activities (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Municipal Government - Exhibition Grant	Grant from the local government for participating in exhibitions to promote its product (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada – Photovoltaic modules and laminates	
Municipal Government - Export Grant	An export awarded provided by the local government (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Municipal Government – Insurance Fee Grant	A grant from the local government for purchasing insurance (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
National Environmental Protection and Resources Saving Program: Grants for the Optimization of Energy Systems	National Environmental Protection and Resources Saving Program: Grants for the Optimization of Energy Systems (no further information available from investigating authorities).	Due to lack of cooperation, the US Department of Commerce's Import Trade Administration considered that this program was specific based on adverse inferences.	United States-Concrete Steel Wire Strand, Canada-Photovoltaic modules and laminates	0.03% (United States - Concrete Steel Wire Strand)
National Innovation Fund for Technology Based Firms	Because of the lack of cooperation from the GOC and exporters, CBSA was unable to determine that this program did not confer a countervailable subsidy, and as such considered that the program was countervailable (provided description is sourced from decisions in column four).	Because of the lack of cooperation from the GOC and exporters, CBSA was unable to determine that this program did not confer a countervailable subsidy, and as such considered that the program was countervailable. The apparent focus on "technology-based firms" makes the subsidy specific.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Product Quality Grant	Insufficient information was provided to the US and Canadian investigating authorities, and therefore the program was considered to be a countervailable subsidy based on adverse inferences.	Insufficient information was provided to the US and Canadian investigating authorities, and therefore the program was considered to be a countervailable subsidy based on adverse inferences.	Canada-Metal Bar Grating,Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States- Steel Grating,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.02% (United States - Steel Grating)
Provincial Fund for Fiscal and Technological Innovation	The program provides grants to firms for the purpose of promoting technological and fiscal innovation (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the US Department of Commerce Import Trade Administration. Because of the lack of cooperation, the ITA drew an adverse inference that the program was specific and countervailable.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Provincial Government - Equipment Grant	The purpose of the grant was for the company to install and use equipment for the production of subject goods (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovaltaic Modules and laminates	
Provincial Loan Discount Special Fund for SMEs	Program provides interest subsidy grants in order to promote and support SMEs (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the US Department of Commerce Import Trade Administration. Because of the lack of cooperation, the ITA drew an adverse inference that the program was specific and countervailable.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Provincial Scientific Development Plan Fund	Based on the information available, this program was established by governments at the local level and was established to provide financial assistance to research and development projects. The granting authorities responsible for this program are the Science and Technology Departments located in Liaoning province and Tianjin (provided description is sourced from decisions in column four).	Favours particular enterprises, being eligible enterprises involved in the manufacture and export of 'high-tech' products.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, companies received a grant under this program for participating in exhibitions which are under the annual trade, Canada-Photovoltaic modules and laminates promotion program, sponsored by MOFCOM, sponsored by provincial ministry of commerce and approved by provincial government, or attended by the company's own discretion. A grant equivalent to 50%-100% of exhibition expenses is available to the companies that qualify. The grant is administered by the local municipal government.	
Refund from Government for Participating in Trade Fair (Foshan)	Exporters received a refund for participating in the Canton Trade Fair. The funds are provided for booth modification fees. The granting authority is the Foshan Shunde Economic Promotion Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada- Galvanized Steel Wire	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Reimbursement of Anti-dumping and/or Countervailing Legal Expenses by the Local Governments	Subsidy provided by regional/provincial financial bureau in order to facilitate company's participation in the US anti dumping investigation (provided description is sourced from decisions in column four).	Limited to enterprises which incurred expenses in an anti- dumping proceeding .	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,EU-Organic Steel,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Reimbursement of Foreign Affairs Services Expenses (Foshan)	Funds are provided for privately owned businesses involved in export activities. The granting authority is the Foshan Shunde Treasury Payment Center (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable. The region specific basis for the subsidy suggests that it is a specific subsidy.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	
Research & Development (R&D) Assistance Grant	This program was established by governments at the local level to encourage and support enterprises to develop new technologies and products, to promote energy savings, to enhance product quality, to improve export structure, and to cultivate and develop hightech industries and new pillar industries. The funds were provided for Science and Technology Research. The granting authority is the Foshan Shunde Finance Bureau (provided description is sourced from decisions in column four).	Because famous brand designation is among the factors the local authority considers when determining eligibility and because the famous brand designation is contingent upon export activity, the program is specific pursuant to s. 2(7.2)(b) of SIMA.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Science and Technology Fund - Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area	The fund's purpose as follows: 1) promote the construction of the science technology infrastructure in TBNA; 2) enhance science-technology renovation and service abilities; 3) improve the business environment of renovation entrepreneurship; and 4) construct a new science-technology renovation system (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Oil Country Tubular Goods	0.03% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Small and Medium-sized Enterprise Support Funds	A grant from an unknown level of government for being a small to medium sized enterprise (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Special Fund for Significant Science and Technology in Guangdong Province	The program seeks to support major, generic, and key technology R&D of Guangdong industries and promote technology achievements and diffusion of technological knowledge (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the US Department of Commerce Import Trade Administration. Because of the lack of cooperation, the ITA drew an adverse inference that the program was specific and countervailable.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Special Funds for Development of Science and Technology	Special Funds for Development of Science and Technology (no further information available from investigating authorities).	Due to lack of cooperation, the US Department of Commerce's Import Trade Administration considered that this program was specific based on adverse inferences.	Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Wind Towers,Canada-Galvanized Steel Wire	0.01% (United States - Wind Towers)
Special Supporting Fund for Commercialization of Technological Innovation and Research Findings	Practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.0005% (Canada - Steel Piling Pipe)
State Special Fund for Promoting Key Industries and Innovation Technologies	A lump-sum grant from the National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT). The grant is a one-time grant that is intended to assist a producer's development of new facilities (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Steel Wheels,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.21% (United States - Steel Wheels)
Subsidies provided in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area	Aims to promote the construction of science-technology infrastructure in the Tianjin Binhai New Area (TBNA) and the Tianjin Economic and Technological Development Area (TETDA) and build a science-technology renovation system and service abilities (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	EU-Organic Steel	0.61% (EU - Organic Steel)
Subsidy for Promoting Energy-saving Buildings	Subsidy for Promoting Energy-saving Buildings (no further information available from investigating authorities)	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Superstar Enterprise Grant	Award based on the total value of its sales (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises that exceed certain sales values during a year.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Circular Welded Carbon Quality Steel Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.02% (United States - Circular Welded Carbon Quality Steel Pipe)
Supporting Fund for Non-refundable Export Tax Loss on Mechanical & Electrical Product and High-tech Product (Jiangmen City)	This program was established in order to provide support to exporters adversely affected by the financial crisis. This program was administered by the Jiangmen Bureau of Foreign Economic & Trade Development in conjunction with the Finance Bureau of Jianghai District, Jiangmen City (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Supportive Fund Provided by the Government of Xuyi County, Jiangsu	This program was established in the Notification of Eight Solemn Promises on Attracting Foreign Investment in the Industrial Zone ofXuyi County, Xu Fa (2001) No. 28, which came into effect as of September 26, 2001. Its purpose is to attract foreign investment in the Industrial Zone of Xuyi County. The granting authority responsible for administering this program is the Govemment of Xuyi County. Under this program, enterprises are eligible to receive supportive funds (grants) provided by the Local Xuyi Govemment. The amount of grants provided under this program is calculated on the basis of 40% of enterprise income tax paid in the previous year, 25% of VAT paid in the previous year, and 100% of other types of taxes (i.e., stamp tax, real estate tax, urban construction tax and land usage tax) paid in the previous year (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Technology Project Assistance	This program is available to enterprises that undertake a scientific research project which meets the scope of the projects encouraged under this program (provided description is sourced from decisions in column four).	Due to lack of response to information requests, the Canada Border Services Agency did not have sufficient information to determine that this programs should be removed from the investigation for the purposes of the final determination.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
The State key technology project fund	The purpose of the program is to “support the technological renovation of key industries, key enterprises and key products… The enterprises shall be mainly selected from large-sized state-owned enterprises and large-sized state holding enterprises among the 512 key enterprises, 120 pilot enterprise groups and the leading enterprises of the industries" (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited as a matter of law to certain enterprises; i.e., large-sized stateowned enterprises and large-sized state holding enterprises among the 512 key enterprises.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Oil Country Tubular Goods,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)
Various Export Contingent Grants Provided by the Fuyang City Government	Company received Exhibition Fee Reimbursement, Star Enterprise, Export Expansion Recognition, and Open Economic Development grants from the city government (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Steel Wheels	0.32% (United States - Steel Wheels)
Venture Investment Fund of Hi-Tech Industry	Involves a grant being paid to eligible enterprises located in the Hi-Tech Zone or High-Tech park of the Northern District (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the grant is limited to enterprises in encouraged industries.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Water Fund Refund/Exemption 2008	Monthly grants were received under this program, which were contingent on the company being an exporting company (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Steel Grating, Canada-Photovoltaic modules and laminates	0.14% (United States - Steel Grating)
Water Saving Enterprise	This program was established by governments at the local level to encourage the development of water-saving technologies. The granting authority responsible for this program is Changzhou Water Conservancy Bureau (provided description is sourced from decisions in column four).	Due to lack of response to information requests, the Canada Border Services Agency did not have sufficient information to determine that this programs should be removed from the investigation for the purposes of the final determination.	Canada-Oil Country Tubular Goods (OCTG), Canada-Photovoltaic modules and laminates	

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for Specificity	Decisions where program was countervailed	Subsidy Range
Project subsidy from the Haicang Bureau of Science and Tech	Certain PET Resin Producers reported receiving funds under this grant program in the US DOC investigation. This subsidy is regionally specific and limited to enterprises in the science and technology sector (provided description is sourced from decisions in column four). The Complainants submit that the grant provided under this program constitutes a financial contribution pursuant to s. 2(1.6)(a) of SIMA in the form of a direct transfer of funds.	This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Polyethylene Terephthalate	0.01% (United States Polyethylene Terephthalate)

Direct Transfer of Funds - Grant

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Export Seller's Credit for High- and New-Technology Products by China EMIX Bank	Export Seller's Credit for High- and New-Technology Products by China EMIX Bank (no further information available from investigating authorities)	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Loans and Interest Subsidies provided under the Northeast Revitalization Program	Based on the information available, enterprises located in the northeast region of China may receive preferential loans in the form of interest subsidy under the Northeast Revitalization program (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	
Policy Loans	The GOC emphasized the development of petrochemical and ethylene industries in the 11th Five-Year Plan, as well as the Guidance Catalogue on Industrial Structural Adjustment, which highlights the Chemical Raw Material and Products Manufacturing Industry as an encouraged industry at article 6 [revised in 2013] (AsianLII Laws of the Peoples Republic of China "Temporary Provision on Promoting Industrial Structure Adjustment" article 6). Chinese Pet Resin producers have reported having loans outstanding from state owned commercial banks ("SOCB") in the PRC between January 1, 2014 and December 31, 2014 (US DOC, Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China [March 4, 2015] page 30). PET Resin producers profited from preferential policy loans promulgated by the GOC. The Complainant submits that these loans, aimed at developing the petrochemical industry, and, more specifically, the ethylene sector, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds.	The program is specific under s. 2(7.2)(a) of SIMA as it is limited to a particular industry within the jurisdiction of the authority granting the subsidy, that is the Chinese Pet Resin industry.	Canada-Oil Country Tubular Goods (OCTG),Canada-Seamless Casing,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Circular Welded Carbon Quality Steel Pipe,United States-Concrete Steel Wire Strand,United States-Drill Pipe,United States-Oil Country Tubular Goods,United States-Stainless Steel Sinks,United States-Steel Wheels,United States-Wind Towers,EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.01% (United States - Oil Country Tubular Goods) - 1.99% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)

Direct Transfer of Funds - Loan

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Loans Characterized as a Lease Transaction	The leases provide a benefit equal to the difference between what the company paid on the leases and the amount the company would have paid on comparable commercial loans (provided description is sourced from decisions in column four).	This grant is industry specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe, Canada-Photovoltaic modules and laminates	0.01% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)
Preferential Loans for SOEs	That loans from State Owned Commercial Banks (SOCBs) to SOEs 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 (provided description is sourced from decisions in column four).	This grant is industry specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Carbon Quality Steel Line Pipe,United States- High Pressure Steel Cylinders, Canada-Photovoltaic modules and laminates, United States Polyethylene Terephthalate	0.16% (United States - Carbon Quality Steel Line Pipe) - 0.32% (United States - High Pressure Steel Cylinders) 1.43% (United States Polyethylene Terephthalate) 10.54% United States Polyethylene Terephthalate, AFA applied)
Preferential Export Financing	Loans from Export-Import Bank of China for export-order financing, 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. Chinese PET Resin producers have reported receiving loans from the Export-Import Bank of China (EXIM Bank) for purchases of materials, fixed facilities and imports in the period January 1, 2014 to December 31, 2014 (provided description is sourced from decision in column four). The Complainant submits that these export loans, aimed financing exports, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds.	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Polyethylene Terephthalate	0.28% (United States Polyethylene Terephthalate) 10.54% United States Polyethylene Terephthalate, AFA applied)

Direct Transfer of Funds - Loan

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Export Sellers Credit	The loan is provided to domestic independent legal entities that are registered with the authorities for industry and commerce, from the Export-Import Bank of China (China EXIM Bank, Loan Facilities "Export Sellers Credit"). Chinese Pet Resin Producers have reported receiving these loans between January 1, 2014 to December 31, 2014 (US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* [March 4, 2016] page 32). The Complainant submits that these export loans, aimed financing exports, constitute a financial contribution under s. 2(1.6)(a) of SIMA as a direct transfer of funds.	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance, further, the credits are differentiated based on industry.	United States-Polyethylene Terephthalate	0.49% (United States Polyethylene Terephthalate)

Direct Transfer of Funds - Loan

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Acquisition of Government Assets at Less than Fair Market Value	Numerous exporter have changed their ownership status from that of SOEs to either FIEs or private limited enterprises. During the privatization process, the majority of the government-owned assets had been distributed to company employees at no cost (provided description is sourced from decision in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe, Canada-Photovoltaic modules and laminates	
Provision of MEG and PTA for Less Than Fair Market Value	Certain producers of MEG and PTA (the predominant inputs for PET Resin) are SOEs and are vested with government authority (for example, CCFGroup). These SOES provide MEF and PTA to Chinese Pet Resin producers at less than fair market value, thus resulting in a financial benefit, being the difference between the fair market value of the goods and the price at which the goods were provided by the SOE. The level of government control over the SOE's allows the effectuation of GOC goals and policy. The GOC has confirmed that several of the producers of MEG and LTA are SOEs (US DOC, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China* (March 4, 2016) page 33). The complainant submits that this provision is a financial contribution under s. 2(1.6)(c) of SIMA as the provision of MEG and LTA is at less than market value.	It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies and inputs.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Austenitic Stainless Pressure Pipe,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Carbon Quality Steel Line Pipe,United States-Circular Welded Carbon Quality Steel Pipe,United States-Concrete Steel Wire Strand,United States-Drill Pipe,United States-Galvanized Steel Wire,United States-High Pressure Steel Cylinders,United States-Kitchen Appliance Shelving and Racks,United States-Light-Walled Rectangular Pipe and Tube,United States-Oil Country Tubular Goods,United States-Stainless Steel Sinks,United States-Steel Grating,United States-Steel Wheels,United States-Wind Towers,Australia-Hollow Structural Sections,EU-Organic Steel,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates ; United States-Polyethylene Terephthalate	0.103% (Canada - Steel Piling Pipe) - 60.22% (United States - Steel Grating) 0.12%-3.15% (United States-Polyethylene Terephthalate)

Government provides goods or services or purchases goods

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Costs of Services and/or Goods Provided by Government or State-owned Enterprises (SOEs) in SEZs and Other Designated Areas	There is information that state-owned enterprises (SOEs) may be providing goods and/or services to certain types of producers. SOEs can be considered as acting on behalf of government in cases in which the majority of the shares of the company are owned by the government or the company is controlled either directly or indirectly through government directors (provided description is sourced from decision in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Provision of Utilities provided by the Government at Less than Fair Market Value	Electricity: electricity rates were set differently in different provinces and preferential rates were used as an industrial policy tool to encourage high industries. Water: water prices in China are exclusively determined by public authorities and the pricing structure is set according to industrial macro-policies. It was also reported that water prices were different in the various local areas and that there was also a differentiation of rates on a company-by-company basis (provided description is sourced from decision in column four).	Electricity: It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies, industries and regions of China. Water: the possibility for a certain enterprise producing the product concerned to obtain water supply for less than adequate remuneration, coupled with the apparent discretion conferred with the local authorities to waive part of the rate normally paid for water, makes the subsidy in fact specific under s. (7.2)(a) of SIMA.	Canada-Metal Bar Grating,Canada-Pup joints,Canada- Stainless Steel Sinks,Canada-Steel Piling Pipe,United States- Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Concrete Steel Wire Strand,United States- Drill Pipe,United States-Galvanized Steel Wire,United States- High Pressure Steel Cylinders,United States-Kitchen Appliance Shelving and Racks,United States-Oil Country Tubular Goods,United States-Stainless Steel Sinks,United States-Steel Grating,United States-Steel Wheels,United States-Wind Towers,EU-Organic Steel,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.04% (United States - Kitchen Appliance Shelving and Racks) - 4.22% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)

Government provides goods or services or purchases goods

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Accelerated Depreciation on Fixed Assets	Accelerated Depreciation on Fixed Assets (no further information available from investigating authorities, provided description is sourced from decision in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as it is provided to a limited number of enterprises, i.e. enterprises that produce PET Resin.	Canada-Carbon Steel Welded Pipe	
Accelerated Depreciation on Fixed Assets in Binhai New Area of Tianjin	Under this program, enterprises located in the Binhai New Area of Tianjin are eligible to reduce the depreciation period of eligible fixed assets (excluding houses and buildings) by up to 40% (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Award by Shanghai Songjiang Economic Committee	Award by Shanghai Songjiang Economic Committee (no further information available from investigating authorities, provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Oil Country Tubular Goods (OCTG),Canada-Seamless Casing, Canada-Steel Piling Pipe, United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe, United States-Oil Country Tubular Goods	0.51% (United States - Oil Country Tubular Goods) - 0.58% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)
Award for Excellent Enterprise	Award for Excellent Enterprise. This program is administered by the local provincial government (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
City maintenance and Construction Taxes and education surcharges for Foreign Invested Enterprises	An FIE was exempt from paying the “Urban Maintenance and Construction Tax,” “Education Surcharge,” and “Local Education Surcharge,” (provided description is sourced from decisions in column four).	Exemption from local taxes is limited as a matter of law to certain enterprises, i.e., FIEs, and, hence, specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Drill Pipe, United States-Kitchen Appliance Shelving and Racks, United States-Steel Wheels, Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - Aluminum Extrusions) - 0.58% (United States - Drill Pipe)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Corporate Income Tax Exemption and/or Reduction in SEZs and other Designated Areas	This program was established under the Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, which came into effect on July 1, 1991. The program was established to absorb investment in special economic zones (SEZs) and designated areas to take the lead in their economic development. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, an eligible enterprises may receive a reduced corporate income tax rate of 15% (provided description is sourced from decisions in column four).	Limited to certain enterprises, i.e., FIEs, and, hence, specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Carbon Steel Welded Pipe, Canada-Metal Bar Grating, Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints, Canada-Seamless Casing, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Corporate Income Tax Reduction for New High-Technology Enterprises	The GOC grants companies classified as NHTE income tax preference of 10 percentage points. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities (provided description is sourced from decisions in column four). The complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6)(b) of SIMA.	The income tax reduction afforded by this program is limited as a matter of law to certain enterprises, i.e., PET Resin and, thus, is specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Metal Bar Grating, Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, United States-Oil Country Tubular Goods, United States-Steel Wheels, United States- Wind Towers, Australia-Hollow Structural Sections, EU-Organic Steel, Canada-Galvanized Steel Wire, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates, USA-Polyethylene Terephthalate	0.09% (EU - Organic Steel) 1.44% (United States - Oil Country Tubular Goods) 0.00% (United States Polyethylene Terephthalate)
Deed Tax Exemptions For Land Transferred through Merger or Restructuring	Benefit comes from being new enterprises formed by the merger or restructuring of other companies, and having land transferred to them from former SOEs involved in the merger or restructuring (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the investigating authorities. Because of the lack of cooperation, the program was considered to be specific and countervailable.	Canada-Pup joints, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.02% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Exemption of Tariff and Import VAT for the Imported Technologies and Equipment	The policy objective of this program is to attract foreign investment and to encourage domestic investment, and the introduction of foreign advanced technology equipment and industry technology upgrades. A refund of the difference between the 17% input VAT paid and the 13% export VAT rate (provided description is sourced from decisions in column four).	Whilst certain domestic enterprises are eligible to receive VAT and tariff exemptions under this program as well as certain FIEs, the reach or the particularity of enterprises is not sufficiently broadened to render the program non-specific. For these reasons the subsidy is specific.	Canada-Carbon Steel Welded Pipe, Canada-Metal Bar Grating, Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints, Canada-Seamless Casing, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Exemption/Reduction of Special Land Tax and Land Use Fees in SEZs and Other Designated Areas	Based on the information available, certain producers may receive an exemption/reduction of special land tax and land use fees (provided description is sourced from decisions in column four)(provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the investigating authorities. Because of the lack of cooperation, the program was considered to be specific and countervailable.	Canada-Metal Bar Grating, Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints, Canada-Seamless Casing, Canada- Stainless Steel Sinks, Canada-Steel Piling Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Export Award	Export Award – companies received a grant under this program for being an enterprise with sustainable increases of exports in the first half of 2012. It was administered by the Finance Bureau of a local municipal government (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Financial Assistance for an Overseas Market Survey	Financial Assistance for an Overseas Market Survey (no further information available from investigating authorities)(provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Foreign Trade Development Fund Program - VAT Refunds	VAT tax payers that are members of the equipment manufacturing, petrochemical, metallurgical, ship building, automobile, and agricultural products industries may deduct VAT for purchases of fixed assets from the VAT for sales of finished goods (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Carbon Quality Steel Line Pipe, Canada-Photovoltaic modules and laminates, Canada-Photovoltaic modules and laminates	0.1% (United States - Carbon Quality Steel Line Pipe)
Foreign Trade Promotion Award	Foreign Trade Promotion Award (no further information available from investigating authorities)(provided description is sourced from decision in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Fund for Supporting Strategic Emerging Industries by Guangdong Governments	Fund for Supporting Strategic Emerging Industries by Guangdong Governments (no further information available from investigating authorities) (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire , Canada-Photovoltaic modules and laminates	
Import Tariff and VAT exemptions on Imported Equipment in Encouraged Industries	Exempts both FIEs and certain domestic enterprises from VAT and tariffs on imported equipment used in their production provided the equipment is not included in prescribed lists of non-eligible items, in order to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries.	United States-Austenitic Stainless Pressure Pipe, United States Carbon and Alloy Steel Standard, Line, and Pressure Pipe, United States-Concrete Steel Wire Strand, United States- Drill Pipe, United States-High Pressure Steel Cylinders, United States-Steel Wheels, United States-Wind Towers, Australia- Hollow Structural Sections, EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.01% (United States - High Pressure Steel Cylinders) - 1.14% (United States - Concrete Steel Wire Strand)
Income tax credit for the purchase of domestically manufactured production equipment	This program allows a company to claim tax credits on the purchase of domestic equipment if a project is consistent with the industrial policies of the GOC. A tax credit up to 40 % of the purchase price of domestic equipment may apply (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(a) of SIMA as it is contingent upon the use of domestic over imported goods.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.38% (EU - Organic Steel)
Income Tax Exemption for Investors in Designated Geographical Regions Within Liaoning	Under Article 9 of the FIE Tax Law, the provincial governments, the autonomous regions, and the centrally governed municipalities have been delegated the authority to provide exemptions and reductions of local income tax for industries and projects for which foreign investment is encouraged (provided description is sourced from decision in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Wind Towers	0.08% (United States - Wind Towers)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Income Tax Refund for Re-investment of FIE Profits by Foreign Investors	This program was established in the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise, which came into effect on July 1, 1991. Its purpose is to encourage foreign investors to reinvest profits into businesses in China. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, foreign investors who reinvest profits into that FIE by increasing its registered capital, or use FIE derived profit to establish another FIE which is planned to operate for a period not less than five years, are eligible to receive a refund of the income tax already paid on the profit that was reinvested. Article 10 of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises clearly identifies that any foreign investors who directly reinvest after tax profit into the organization from which they received the profit from, or use the profits to establish a new foreign enterprise, will be refunded 40% of the tax paid on the profit amount directly reinvested. Further, if the direct reinvestment is in a new foreign enterprise and the investor withdraws the investment before five years have passed, the tax refunded must be repaid. It also states that should State Council pass regulations relating to the provision of this preferential treatment, the provisions of those regulations will be applied. Article 80 of the Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises refers to "direct reinvestment" as using the profits referred to above, prior to their receipt, to increase registered capital in the FIE that provided the profits, or, following receipt of those profits, establishing another FIE. Article 81 of the Rules for	Specifically limited to foreign investors whose enterprises are 100% foreign-owned and located outside China, and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Carbon Steel Welded Pipe, Canada-Metal Bar Grating, Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints, Canada-Seamless Casing, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Income Tax Refund where Profits Re-invested in Special Economic Zones and other Designated Areas of Guangdong	This program was established in the Regulations on Special Economic Zones in Guangdong Province and approved for implementation on August 26, 1980. This program was established to encourage investors to reinvest profits into businesses in the SEZs of Guangdong province. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, businesses that reinvest profits derived in the SEZs of Guangdong province for a period of five years or longer may apply for a reduction of or an exemption from income tax on the reinvested portion (provided description is sourced from decisions in column four).	Regionally specific to enterprises in the SEZs of Guangdong province and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Carbon Steel Welded Pipe, Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints, Canada-Seamless Casing, Canada-Stainless Steel Sinks, Canada-Steel Piling Pipe, Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Local income tax exemption and reduction programmes for the productive FIEs	The provincial governments have the authority to exempt FIEs from the local income tax of three percent (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries, i.e. "productive" FIEs.	Canada-Carbon Steel Welded Pipe, United States Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States- Concrete Steel Wire Strand,United States-Kitchen Appliance Shelving and Racks,United States-Oil Country Tubular Goods,EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.01% (United States - Concrete Steel Wire Strand) - 0.29% (United States - Oil Country Tubular Goods)
Local Income Tax Exemption and/or Reduction in SEZs and other Designated Areas	This program was established in the Provision of Reduction and Exemption of Local Incarne Tax of Foreign Invested Enterprise in Jiangsu, (1992) No. 49, which came into force on June 17, 1992. This program was established to provide preferential tax treatment to FIEs to accelerate the development oflocal economy. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, FIEs that are eligible for a 15% reduction oftheir corporate income tax, may receive an exemption in local income taxes (provided description is sourced from decisions in column four).	The program is available to FIEs that are located in the economic and technological development zones, the coastal economic open areas, the state new and high-tech industrial development zones of Jiangsu province, as well as foreign-invested projects encouraged by the state. It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies, industries and regions of China.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Seamless Casing,Canada- Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Municipal Government – Preferential Tax Program	A refund of taxes from the local government (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Other tax privileges of Ma'anshan	Miscellaneous tax privileges from 2008 to 2010 enjoyed by producers located in Ma'anshan and Wuhan, including exemptions from city maintenance and construction tax, and extra charges on education funds (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	EU-Organic Steel	0.08% (EU - Organic Steel)
Provincial Government of Guangdong Tax Offset for Research & Development	For R&D expenses incurred for developing new products and technologies that cannot be treated as intangible assets, 50 percent of the R&D expense shall be deducted as a tax offset (provided description is sourced from decisions in column four).	In light of the language in Article 5 of the R&D Measures, the tax offsets provided under this program are de jure specific.	Canada-Galvanized Steel Wire	
Preferential income tax policies for particular regions	Productive FIEs established in a coastal economic development zone, special economic zone, or economic technology development zone pay a reduced corporate income tax rate of either 15 or 24 percent, depending on the zone, whereas all enterprises in China are subject to a 25 percent rate (provided description is sourced from decisions in column four).	It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies, industries and regions of China.	United States-Austenitic Stainless Pressure Pipe, United States Concrete Steel Wire Strand, United States-Wind Towers, EU- Organic Steel	0.04% (United States - Austenitic Stainless Pressure Pipe) - 1.32% (EU - Organic Steel)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Policies for Domestic Enterprises Purchasing Domestically Produced Equipment for Technology Upgrading Purpose	This program was established in the Circular Concerning Printing and Distributing Interim Measures on Business Income Tax Credit Applicable to Technological Transformation Domestic Equipment Investment (Cai Shui Zi [1999] No. 290), which came into force on July 1, 1999. This program was established to encourage domestic investment and support the technology upgrading of enterprises. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, for all enterprises with investment on the technological transformation projects conforming to the State Industrial Policy in the nation, 40% of the expenses on purchasing domestically produced equipment shall be deducted from the increment of income tax of that year compared to the previous year. In the case where the total increment of income tax is less than 40% of such expenses, the exceeding part of the deductible expenses can be deducted from the next year' s increment of income tax. Such postponement of deductibility shall not last for more than five years (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(a) of SIMA as it is contingent upon the use of domestic over imported goods.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Carbon Quality Steel Line Pipe,United States-Concrete Steel Wire Strand,United States-Oil Country Tubular Goods,United States-Steel Grating,United States-Steel Wheels,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.14% (United States - Oil Country Tubular Goods) - 1.68% (United States - Steel Grating)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Policies for Enterprises with Foreign Investment(FIEs) Established in Special Economic Zones (excluding Shanghai Pudong Area)	Taxable income rates of 3-15% instead of generally applicable 25% (provided description is sourced from decisions in column four).	The 15% preferential tax rate provided to FIEs located in the SEZs was found to be limited, in law, to a particular enterprise, pursuant to paragraph 2(7.2)(a) of SIMA, i.e. as it was limited, pursuant to a legislative, regulatory, or administrative instrument or other public document, as set forth in the Rulesfor the Implementation ofthe Incorne Tax Law ofthe People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. In addition, the subsidy is further limited to a group of enterprises, which was comprised of FIEs that met the above mentioned eligibility criteria. The preferential tax rate reduction from 15% to 10% for export-oriented enterprises located in SEZs with exports at 70% or greater as percentage of output value, is a prohibited subsidy, as such subsidies are contingent, in whole or in part, on export performance. Prohibited subsidies are specific pursuant to paragraph 2(7.2)(b) of SIMA.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Kitchen Appliance Shelving and Racks,United States-Light-Walled Rectangular Pipe and Tube,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.0201% (Canada - Pup joints) - 1.24% (United States - Kitchen Appliance Shelving and Racks)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Policies for FIEs and Foreign Enterprises Which Have Establishments or Places in China and are Engaged in Production or Business Operations Purchasing Domestically Produced Equipment	This program was established in the Circular of the Ministry of Finance and State Administration ofTaxation Concerning the Issue ofTax Credit for Business Income Tax for Homemade Equipment Purchased by Enterprises with Foreign Investment and Foreign Enterprises (Cai Shui Zi [2000) No. 49), which came into force on July 1, 1999. This program was established to attract foreign investment and support technology innovation. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, 40% of the expenses incurred by certain FIEs and foreign enterprises on purchasing domestically produced equipment, are deducted from the increment ofincome tax of that year compared to the previous year, The deducted portion shall not exceed that year's total increment of income tax, and in the case where the total increment of income tax is less than 40% of such expenses; the exceeding part of the deductible expenses can be deducted from the next year' s increment of income tax. Such postponement of deductibility shall not last for more than five years (provided description is sourced from decisions in column four).	Program is specific because the receipt of the tax savings is contingent upon the use of domestic over imported goods.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Wind Towers,EU- Organic Steel,Canada-Galvanized Steel Wire,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.49% (United States - Wind Towers)
Preferential Tax Policies for FIEs Established in the Coastal Economic Open Areas and in the Economic and Technological Development Zones	Pursuant to Article 7 of the FIE Tax Law for productive FIEs established in a coastal economic development zone, special economic zone, or economic technology development zone, the applicable enterprise income tax rate is 15 or 24 percent, depending on the zones in which productive FIE are located, as opposed to the standard 30 percent income tax rate (provided description is sourced from decisions in column four).	It is specific under s. 2(7.2)(a) of SIMA as it is limited to certain companies, industries and regions of China.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-High Pressure Steel Cylinders,Australia-Hollow Structural Sections,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - High Pressure Steel Cylinders)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Policies for FIEs Established in the Pudong Area of Shanghai	Reduced income tax rate due to producer location in the Shanghai Pudong New District (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries located in the Pudong area.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire	
Preferential Tax Policies for FIEs which are Technology Intensive and Knowledge Intensive	This program is administrated by the State Administration of Taxation and is implemented by local tax authorities. Its purpose is to encourage foreign investment and the introduction of advanced technology in the old downtown areas of cities which are located in the special economic zones, the open coastal economic areas and the technology and economic development zones (provided description is sourced from decisions in column four).	The criteria or conditions providing access to the subsidy favours FIEs over all non-FIEs.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Policies for Foreign Invested Export Enterprises	This program was established in the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise, which was promulgated on April 9, 1991, and came into effect on July 1, 1991. This program was established to expand foreign economic cooperation. The granting authority responsible for this program is the State Administration of Taxation and the program is administered by local tax authorities. Under this program, export oriented enterprises invested in and operated by foreign businesses may pay a reduced income tax rate of 15% if their annual output value of all export products amounts to 70% or more of the output value of the products of the enterprise for that year. Export oriented enterprises in the SEZs and ETDZs and other such enterprises subject to enterprise income tax at the tax rate of 15% that qualify under the abovementioned conditions, shall pay enterprise income tax at the tax rate of 10% (provided description is sourced from decisions in column four).	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Preferential Tax Policies for the Research and Development of FIEs	The deduction of research and development expenditures by companies, which allows enterprises to deduct, through tax deductions, research expenditures incurred in the development of new technologies, products, and processes (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as it is limited to enterprises in encouraged industries, i.e., those with research and development in eligible high-technology sectors and, thus, is specific.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Preferential Tax Policies in the Western Regions	Producers/exporters have benefited from exemptions to income tax based upon the location of the industry in the Western Regions of China (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as it is limited to enterprises in encouraged industries.	Canada-Carbon Steel Welded Pipe,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Australia-Hollow Structural Sections,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Preferential Tax Programs for Encouraged Industries or Projects	Preferential Tax Programs for Encouraged Industries or Projects (no further information available from investigating authorities)(provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Reduction in Land Use Fees, Land Rental Rates, and Land Purchase Prices	This program provides for the reduction in land use fees, rental rates and purchase prices to lower than adequate remuneration. Examples of this program in action include: a document titled '[2003] No.8 Preferential Supply of Land', in order to offset costs for industrial companies in the Ninghai Economic Development Zone; or similar initiatives in the Tianjin Binhai New Area and the Tianjin Economic and Technological Development Area (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Carbon Quality Steel Line Pipe,United States-Concrete Steel Wire Strand,United States-Light-Walled Rectangular Pipe and Tube,United States-Oil Country Tubular Goods,United States- Stainless Steel Sinks,United States-Wind Towers,Australia-Hollow Structural Sections,EU-Organic Steel,Canada- Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - Concrete Steel Wire Strand) - 2.67% (United States - Carbon and Alloy Steel Standard, Line, and Pressure Pipe)
Refund of Land Transfer Fee	Based on the information available, this program was established by governments at the local level to provide refunds of land transfer fees to enterprises located in the Jinnan Development Zone of Tianjin City. The granting authority responsible for this program is Jinnan Branch Bureau of Tianjin National Land and Resource Administration Bureau (provided description is sourced from decisions in column four).	Insufficient information was provided by the exporters and the GOC to the Canada Border Services Agency to allow it to determine the subsidy was not specific and countervailable, and thus it was considered specific and countervailable.	Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs	Insufficient information was provided to the Canada Border Services Agency (provided description is sourced from decisions in column four).	Insufficient information was provided to the Canada Border Services Agency for the program to be eliminated as a countervailable subsidy and therefore it continued to be considered a countervailable subsidy. This subsidy appears to have been provided to certain types of enterprises and appear to be specific. This subsidy likely constitute a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA, in that amounts that would otherwise be owing and due to the government are reduced and/or exempted, and would confer a benefit to the recipient equal to the amount of the reduction/exemption.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Shunde Intensive Industrial Zone Administrative Fee Exemptions and Reductions	Companies with industrial-use land and ancillary residential facilities-use land within an intensive industrial zone are eligible for the reduction of land transfer fee(provided description is sourced from decision in column four).	Based on the GOC's explanation that the fee reduction is limited to companies in intensive industrial zones, the program is specific within the meaning of s. 2(7.2)(a) of SIMA (US DOC, Countervailing Duty Investigation of Drawn Stainless Steel Sinks, page 29).	United States-Stainless Steel Sinks	0.09% (United States - Stainless Steel Sinks)
Special Fund for Pollution Control of Three Rivers, Three Lakes, and the Songhua River	Special Fund for Pollution Control of Three Rivers, Three Lakes, and the Songhua River (no further information available from investigating authorities)(provided description is sourced from decision in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire	
Special Supporting Fund for Key Projects of "500 Strong Enterprises in Contemporary Industries" by Guangdong Governments	Special Supporting Fund for Key Projects of "500 Strong Enterprises in Contemporary Industries" by Guangdong Governments (no further information available from investigating authorities)(provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Stamp Tax Exemption on Share Transfers under Non-tradable Share Reform	Insufficient information was provided to the CBSA about a tax exemption under this program (provided description is sourced from decisions in column four).	Due to lack of response to information requests, the Canada Border Services Agency did not have sufficient information to determine that this programs should be removed from the investigation for the purposes of the final determination.	Canada-Oil Country Tubular Goods (OCTG), Canada-Photovoltaic modules and laminates	

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Supporting Fund for Becoming Publicly Listed Company	Supporting Fund for Becoming Publicly Listed Company (no further information available from investigating authorities)(provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates, Canada-Photovoltaic modules and laminates	
Supporting Fund for the "Working Capital" Loan Interest	Supporting Fund for the "Working Capital" Loan Interest (no further information available from investigating authorities)(provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates VAT	
Supporting Fund for the Development from Guangzhou Local Governments	Supporting Fund for the Development from Guangzhou Local Governments (no further information available from investigating authorities) (provided description is sourced from decisions in column four).	Due to lack of cooperation from exporters and the Government of China, CBSA was unable to rule the subsidy out as a countervailable subsidy.	Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Tariff and Value-added Tax (VAT) Exemptions on Imported Materials and Equipment in SEZs and other Designated Areas	This program was established in the Regulations on Special economic Zones in Guangdong Province and approved for implementation on August 26, 1980 (provided description is sourced from decisions in column four).	This subsidy is regionally specific to the Guangdong Province, and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada-Pup joints,Canada-Seamless Casing,Canada- Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Tax concessions for Central and Western regions	The program was established to absorb investment in SEZs and encourage districts to take the lead in development. The granting authority responsible for this program is the General Administration of Customs and the program is administered by the local customs authorities. Under this program, machinery and equipment, spare parts, raw and semi-processed materials, means of transportation and other capital goods necessary for production that are imported by enterprises in special zones shall be exempted from import duties (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.04% (EU - Organic Steel)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Tax policies for the deduction of research and development expenses	This scheme provides a benefit to companies located in the Central and Western Regions. The eligible companies are subject to preferential income tax rate of 15% instead of normal income tax rate of 25% applicable in China (provided description is sourced from decisions in column four).	This program is specific pursuant to s. 2(7.2)(a) of SIMA as the exemption is limited to enterprises in encouraged industries.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.19% (EU - Organic Steel)
Tax Preference Available to Companies that Operate at a Small Profit	This scheme provides a benefit to companies which introduce new technologies, new products or new techniques in their production. The eligible companies can decrease their corporate income tax by 50% of the actual expenses for approved projects (provided description is sourced from decisions in column four).	The criteria or conditions providing access to the subsidy favours enterprises making little profit and meeting the required conditions, over all other enterprises.	Canada-Stainless Steel Sinks,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
Two free, three half tax exemptions for the productive FIEs	An FIE that is “productive” and scheduled to operate more than ten years is exempt from income tax in the first two years of profitability and pays income taxes at half the standard rate for the next three to five years (provided description is sourced from decisions in column four).	Favours particular enterprises, being those eligible production orientated FIEs.	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,United States-Carbon and Alloy Steel Standard, Line, and Pressure Pipe,United States-Carbon Quality Steel Line Pipe,United States-Concrete Steel Wire Strand,United States-Drill Pipe,United States-High Pressure Steel Cylinders,United States-Oil Country Tubular Goods,United States-Stainless Steel Sinks,United States-Steel Wheels,United States-Wind Towers,Australia-Hollow Structural Sections,EU-Organic Steel,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	0.01% (United States - High Pressure Steel Cylinders) - 9.24% (United States - Drill Pipe)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Various local tax discounts (Shandong Province, Chongqing City, Guangxi Region Zhuang, Tax privileges to develop central and western regions)	A number of tax discounts available in several provinces (i.e. Shandong, Chongqing Municipality, Guangxi Region Zhuang, Central and Western Regions) in the form of a reduced corporate tax rate of 15 % as opposed to the generally applicable tax rate of 25 % (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.66% (EU - Organic Steel)
VAT and Income Tax Exemption/Reduction for Enterprises Adopting Debt-to- Equity Swaps	This program was established in the Notice on the Tax Policies for Debt-to-Equity Swap Enterprises, Cai Shui (2005) No. 29, which came into effect as of January 1, 2004. Its purpose is to exert further efforts for the debt-to-equity work and support the reform of enterprises. The granting authority responsible for administering this program is the Ministry of Finance and the State Administration of Taxation. Under this program, enterprises adopting debt-to- equity swaps, pursuant to the debt-to-equity swap agreement signed between the enterprise and a financial asset management company, are exempted from paying value-added tax and/or consumption tax (provided description is sourced from decisions in column four).	Limited to particular enterprises, pursuant to s. 2(7.2)(a) of SIMA	Canada-Carbon Steel Welded Pipe,Canada-Metal Bar Grating,Canada-Oil Country Tubular Goods (OCTG),Canada- Pup joints,Canada-Seamless Casing,Canada-Stainless Steel Sinks,Canada-Steel Piling Pipe,Canada-Galvanized Steel Wire, Canada-Photovoltaic modules and laminates	
VAT deduction on fixed assets in the Central region	This program covers VAT taxpayers mainly active in certain listed industries, including the petrochemical industry. The program provides that eligible VAT taxpayers located in 26 cities of the old industrial bases of the central region that make investments in certain fixed assets can deduct the amount of VAT paid on the fixed assets from its total VAT payable (provided description is sourced from decisions in column four).	This subsidy is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	EU-Organic Steel, Canada-Photovoltaic modules and laminates	0.89% (EU - Organic Steel)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
VAT refunds to FIEs purchasing domestically produced equipment	The GOC refunds the VAT on purchases of certain domestically produced equipment to FIEs if the purchases are within the enterprise's investment amount and if the equipment falls under a tax-free category. Eligibility criteria for this program is set forth in the in the "Trial Implementation Measures on Tax Refund Administration for the Purchase of Home-made Equipment for Foreign-funded Projects"(sourced from notice of the State Administration of Taxation and the National Development Reform Commission on Issuing the "Trial Implementation Measures on Tax Refund Administration for the Purchase of Home-made Equipment for Foreign Funded Projects" available at Lawofchina.com). This program was found to be countervailable in the CBSA's *Photovoltaic Modules* decision. The complainant submits that this program constitutes a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA insofar as amounts that would otherwise be owing and due to the government are exempted, and confers a benefit to the recipient equal to the amount of the exemption.	This program is specific pursuant to s. 2(7.2)(a) of SIMA, as the exemption is limited to enterprises in encouraged industries.	United States-Wind Towers; EU-Organic Steel, Canada-Photovoltaic modules and laminates, United States-Polyethylene Terephthalate	0.13% ; 0.04% (EU - Coated Paper) (United States - Wind Towers), 0.00%-9.71% (United States Polyethylene Terephthalate)
Import Tariff and VAT exemptions on Imported Equipment in Encouraged Industries	This program exempts foreign invested enterprises (FIEs) and certain domestic enterprises from VAT and tariffs on imported equipment used in their production so long as the equipment does not fall into prescribed lists of non-eligible items, in order to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrade (provided description is sourced from decision in column four). This program is a financial contribution under s. 2(1.6)(b) of SIMA in the form of revenue foregone by the GOC.	It is a specific subsidy under s. 2(7.2)(a) because it is contingent upon (i) the enterprise being a FEI or a non-excluded domestic industry, as well as (ii) the type of equipment imported.	United States-Polyethylene Terephthalate, United States-Austenitic Stainless Pressure Pipe, United States Carbon and Alloy Steel Standard, Line, and Pressure Pipe, United States-Concrete Steel Wire Strand, United States- Drill Pipe, United States-High Pressure Steel Cylinders, United States-Steel Wheels, United States-Wind Towers, Australia- Hollow Structural Sections, EU-Organic Steel, Canada-Photovoltaic modules and laminates.	0.05%-10.25% (United States - Polyethylene Terephthalate) 0.01% (United States - High Pressure Steel Cylinders) 1.14% (United States - Concrete Steel Wire Strand)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
2013 Annual Incentive Fund Stable Foreign Trade Policy	Subsidy program in which the GOC is targeting export oriented industries (provided description is sourced from decision in column four). This subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue forgone by the GOC pursuant s. 2(1.6)(b) of SIMA.	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Polyethylene Terephthalate	0.02% (United States Polyethylene Terephthalate)
Transition Gold Support	Subsidy program supporting domestic industries, identified by the US DOC as providing financial support to certain PET Resin producers (provided description is sourced from decision in column four). This subsidy to PET Resin producers constitutes a financial contribution because it represents revenue forgone by the GOC pursuant to s. 2(1.6)(b) of SIMA.	This grant is industry specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Polyethylene Terephthalate	0.01 (United States Polyethylene Terephthalate)
Import/Export Credit Insurance/ 2013 Trade Policy Award	The GOC supports exporting enterprises through this subsidy program. In the US DOC decision, certain PET Resin Producers reported receiving this financial contribution (provided description is sourced from decision in column four). The complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6)(b) of SIMA.	The program is specific under s. 2(7.2)(b) of SIMA as it is contingent upon export performance.	United States-Polyethylene Terephthalate	0.02% (United States Polyethylene Terephthalate)
Overseas Investment Discount (Jiangsu Province)	This subsidy program supports Chinese corporations undertaking foreign investments. According to Sanfangxiang Group, the eligibility criteria for receiving benefits under this program are: legal incorporation within China, authorized by (an unnamed) relevant authority to conduct foreign investment activities, and no record of criminal activity. Entities applying for this funding must submit a timely application that details foreign investments (provided description is sourced from decision in column four). The complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6) (b) of SIMA.	This grant is limited to industries participating in foreign investment and is therefore specific under s. 2(7.2)(a) of SIMA.	United States-Polyethylene Terephthalate	0.06% (United States Polyethylene Terephthalate)

Government Revenue Foregone

Listing of Chinese PET Resin Programs

Program Name	Program Description (Source is Decisions in Column 4)	Reason for specificity	Decisions where program was countervailed	Subsidy Range
Tech Reform Interest Subsidy	Certain PET Resin Producers reported receiving funds under this program in the US DOC investigation (provided description is sourced from decision in column four). The complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6)(b) of SIMA.	This grant is limited to industries participating in foreign investment and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Polyethylene Terephthalate	0.02% (United States Polyethylene Terephthalate)
Refund of Land Use Tax	A refund of land use tax was available to certain PET Resin Producers located in Jiangsu, as the industry is categorized as "supported' by the provincial government (provided description is sourced from decision in column four). The complainants submit that this subsidy to PET Resin Producers constitutes a financial contribution because it represents revenue foregone by the GOC pursuant 2(1.6)(b) of SIMA.	This grant is regionally specific and is therefore specific pursuant to s. 2(7.2)(a) of SIMA.	United States-Polyethylene Terephthalate	0.01% (United States Polyethylene Terephthalate)

Government Revenue Foregone

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

C-570-025
Investigation
POI: 1/1/2014 – 12/31/2014
Public Document
E&C/Office VI: YN, EM

March 4, 2016

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Antidumping and Countervailing Duty Operations

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

SUBJECT: Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Issues & Decision Memorandum for the Final Determination

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I. SUMMARY

The Department of Commerce (Department) determines that countervailable subsidies are being provided to producers and exporters of certain polyethylene terephthalate (PET) resin from the People's Republic of China (PRC), as provided in section 705 of the Tariff Act of 1930, as amended (the Act). This investigation covers two producer/exporter entities: (1) Dragon Special Resin (Xiamen) Co., Ltd. (Dragon); Xiang Lu Petrochemicals Co., Ltd. (Xianglu PC); Xianglu Petrochemicals (Zhangzhou) Co., Ltd. (Xianglu PC ZZ); Xiamen Xianglu Chemical Fiber Company Limited (Xianglu CC); and Dragon Aromatics (Zhangzhou) Co., Ltd. (DAC) (collectively, Dragon Group); and (2) Jiangyin Xingyu New Material Co., Ltd., Jiangsu Xingye Plastic Co., Ltd., Jiangyin Xingjia Plastic Co., Ltd., Jiangyin Xingtai New Material Co., Ltd., Jiangsu Xingye Polarization Co., Ltd., Jiangsu Sanfangxiang Group Co., Ltd., Jiangyin Hailun Petrochemicals Co., Ltd., Jiangyin Xinlun Chemical Fiber Co., Ltd., Jiangyin Huasheng Polymer Co., Ltd., Jiangsu Sanfangxiang International Trading Co., Ltd., Jiangyin Huayi Polymerization Co., Ltd., Jiangyin Xingsheng Plastic Co., Ltd., Jiangyin Chemical Fibre Co., Ltd., Jiangyin Huaxing Synthetic Co., Ltd., and Jiangyin Bolun Chemical Fiber Co., Ltd., and one additional company[1] (collectively, Xingyu).

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[1] The identity of this company is business proprietary information (BPI). For further details, *see* Memorandum from Emily Maloof, International Trade Compliance Analyst, AD/CVD Operations, Office VI, to Brian C. Davis, Acting Program Manager, AD/CVD Operations, Office VI, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Final Determination Calculations for Xingyu," dated March 4, 2016 (Xingyu Final Calculation Memo).

INTERNATIONAL TRADE ADMINISTRATION

II. BACKGROUND

A. Case History

On August 14, 2015, we published our *Preliminary Determination* for this investigation.[2] We preliminarily calculated a rate for Dragon Group and Xingyu, both cooperative mandatory respondents. The rates calculated were used to determine the rate applied to all-other producers/exporters.

On July 29, 2015, DAK Americas, LLC, M&G Chemicals and Nan Ya Plastics Corporation, (hereinafter, Petitioners), timely submitted new subsidy allegations to the Department.[3] The Department initiated on these programs on July 15, 2015.[4] On July 21, 2015, the Department released questionnaires concerning the new subsidy allegations to Dragon Group, Xingyu, and the Government of China (GOC). On July 31, 2015, and August 3, 2015, we received timely filed responses to these questionnaires.[5]

On November 3, 2015, Petitioners submitted pre-verification comments on the record to this investigation.[6] Between November 9, 2015, and November 20, 2015, we conducted verifications of the questionnaire responses submitted by the GOC, Dragon Group, and Xingyu. We released verification reports in January 2016.[7] On February 9, 2016, Dragon Group, Xingyu, and the GOC withdrew their requests for a hearing.[8]

On February 3, 2016, Petitioners, the GOC, Dragon Group, and Xingyu submitted timely case briefs, and also submitted timely rebuttal briefs on February 8, 2016.[9]

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[2] *See Certain Polyethylene Terephthalate Resin from the People's Republic of China: Preliminary Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination*, 80 FR 48810 (August 14, 2015) (*Preliminary Determination*), and accompanying Preliminary Decision Memorandum (PDM).

[3] *See* Letter from Petitioners, "Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China – New Subsidy Allegations," (July 29, 2015).

[4] *See* Memorandum to Scot Fullerton, "Countervailing Duty Investigation: Certain Polyethylene Terephthalate Resin from the People's Republic of China: New Subsidy Allegations," (July 15, 2015).

[5] *See* Letter from Xingyu, "Certain Polyethylene Terephthalate Resin from the People's Republic of China-Response to New Subsidy Allegations Questionnaire," (August 3, 2015) (Xingyu NSA); Letter from Dragon, "Certain Polyethylene Terephthalate Resin from the People's Republic of China- Response to New Subsidy Allegations Questionnaire," (July 31, 2015); Letter from GOC, "Certain Polyethylene Terephthalate Resin from the People's Republic of China- Response to New Subsidy Allegations Questionnaire," (August 3, 2015).

[6] *See* Letter from Petitioners, "Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China - Petitioners' Supplemental Pre-Verification Comments," (November 3, 2015) (Petitioners PVC).

[7] *See* Memoranda to Brian C. Davis, Acting Program Manager, AD/CVD Operations, Office VI, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Verification Report of the Government of China (GOC)" (January 19, 2016) (GOC VR); " Verification Report: Dragon Special Resin (Xiamen) Co., Ltd. (Dragon)" (January 19, 2016) (Dragon VR); and " Verification Report: Jiangyin Xingyu New Material Co., Ltd. (Xingyu)" (January 19, 2016) (Xingyu VR).

[8] *See* Letter from Xingyu and Dragon Group, Re: "Certain Polyethylene Terephthalate Resin from the People's Republic of China – Withdrawal of hearing Request" (February 9, 2016); Letter from GOC, Re: "Withdraw of Request for Hearing- MOFCOM" (February 9, 2016).

[9] *See* Letter from Petitioners, "Certain Polyethylene Terephthalate Resin from the People's Republic of China: Petitioners' Rebuttal Brief" (February 3, 2016) (Petitioners Rebuttal Brief); Letter from Dragon, "Certain Polyethylene Terephthalate Resin from the People's Republic of China-Dragon's Rebuttal Brief (February 3, 2016)

B. Period of Investigation

The period for which we are measuring subsidies, the period of investigation (POI), is January 1, 2014, through December 31, 2014.

III. SCOPE OF THE INVESTIGATION

The merchandise covered by this investigation is polyethylene terephthalate (PET) resin having an intrinsic viscosity of at least 0.70, but not more than 0.88, deciliters per gram. The scope includes blends of virgin PET resin and recycled PET resin containing 50 percent or more virgin PET resin content by weight, provided such blends meet the intrinsic viscosity requirements above. The scope includes all PET resin meeting the above specifications regardless of additives introduced in the manufacturing process.

The merchandise subject to this investigation is properly classified under subheading 3907.60.00.30 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

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

On October 25, 2007, the Department published its final determination on coated free sheet paper from the PRC.[10] In *CFS from the PRC*, the Department found that:

> . . . given the substantial differences between the Soviet-style economies and China's economy in recent years, the Department's previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China.[11]

The Department affirmed its decision to apply the countervailing duty (CVD) law to the People's Republic of China (PRC) in numerous subsequent determinations.[12] Furthermore, on March 13, 2012, Public Law 112-99 was enacted which confirms that the Department has the authority to apply the CVD law to countries designated as non-market economies under section 771(18) of

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(Dragon Rebuttal Brief); Letter from Xingyu, "Certain Polyethylene Terephthalate Resin from the People's Republic of China-Xingyu's Rebuttal Brief (February 3, 2016) (Xingyu Rebuttal Brief); Letter from the GOC, "Certain Polyethylene Terephthalate Resin from the People's Republic of China: Rebuttal Brief - Ministry of Commerce of the People's Republic of China (February 3, 2016) (GOC Rebuttal Brief).

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

[11] *Id*.

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

the Act, such as the PRC.[13] The effective date provision of the enacted legislation makes clear that this provision applies to this proceeding.[14]

V. LIST OF ISSUES

The "Subsidies Valuation" and "Analysis of Programs" sections below describe the subsidy programs and the methodologies used to calculate the subsidy rates for our final determination. Additionally, we have analyzed the comments submitted by interested parties in their case briefs and rebuttal briefs in the "Analysis of Comments" section below, which contains the Department's responses to the issues raised in these briefs. Based on the comments received, and our verification findings, we have made certain modifications to the *Preliminary Determination*, which are discussed below under each relevant program. We recommend that you approve the positions we have described in this memorandum. Below is a complete list of the issues in this investigation for which we have received comments from the parties.

Comment 1: Whether to Disregard Certain Affiliates That Do Not Produce the Input They Supply
Comment 2: Treatment of Grants that the Department Rejected at Verification
Comment 3: Whether to Countervail Programs that Did Not Benefit Exports of Subject Merchandise to the United States
Comment 4: Whether to Adjust for Certain Ministerial Errors Made in the Preliminary Determination
Comment 5: Whether the Department Should Apply AFA to Dragon's Loans
Comment 6: Whether the Department Should Apply AFA to Dragon's VAT Refunds for FIEs for Domestically-Produced Equipment
Comment 7: Whether the Department Should Apply AFA to Dragon Aromatics
Comment 8: Whether the Department Should Apply Total AFA to Xingyu
Comment 9: Whether the Department Should Consider Chinese Producers of MEG and PTA as Authorities
Comment 10: Whether the Department Should Find the MEG and PTA Markets are Distorted Because Domestic Production Based Upon Unreliable Data, and Whether to Revise the Input Benchmarks
Comment 11: Whether Inputs Purchased Through Bonded Warehouses Should Be Treated As Domestically Produced Goods
Comment 12: Whether the Department Should Revise the Sales Denominator to Attribute Subsidy Program Benefits
Comment 13: Whether the Department Should Correct Errors on the GOC's Policy Loans to Xingyu
Comment 14: Whether the Department Should Continue to Include VAT and Import Duties in Determining the Monthly Benchmark for PTA and MEG for LTAR
Comment 15: If the Department Does Not Use World Market Prices as Benchmarks in the Final Determination, whether it must correct certain errors in the monthly benchmark for the MEG for LTAR program
Comment 16: Whether a Program of Policy Lending for PET Resin Exists

[13] Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.
[14] *See* Public Law 112-99, 126 Stat. 265 §1(b).

VI. SUBSIDIES VALUATION

A. Allocation Period

The Department normally allocates the benefits from non-recurring subsidies over the average useful life (AUL) of renewable physical assets used in the production of subject merchandise.[15] The Department finds the AUL in this proceeding to be 9.5 years, pursuant to 19 CFR 351.524(d)(2) and the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System.[16] The Department notified the respondents of the AUL in the initial questionnaire and requested data accordingly.[17] No party in this proceeding disputed this allocation period. Consistent with past practice, in order to appropriately measure any allocated subsidies, the Department will use a 10-year AUL period in this investigation.[18]

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 same year. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than across the AUL.

B. Attribution of Subsidies

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

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

[15] *See* 19 CFR 351.524(b).
[16] *See* U.S. Internal Revenue Service Publication 946 (2008), "How to Depreciate Property," at Table B-2: Table of Class Lives and Recovery Periods.
[17] In past CVD investigations involving the PRC, we have stated that we will not countervail subsidies conferred before December 11, 2001, the date of the PRC's accession to the WTO. *See*, *e.g.*, *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 77 FR 63788 (October 17, 2012) (*Solar Cells from the PRC*) and accompanying IDM (Solar Cells IDM) at Comment 2. This issue is not relevant in this investigation, because the AUL does not go beyond 2002.
[18] *See Issues and Decision Memorandum: Final Results of Countervailing Duty Administrative Reviews: Low Enriched Uranium from Germany, the Netherlands, and the United Kingdom*, 70 FR 40000 (July 12, 2005) at Comment 4.

more) corporations. The *CVD Preamble* to the Department's regulations further clarifies the Department's cross-ownership standard. According to the *CVD Preamble*, relationships captured by the cross-ownership definition include those where:

> the interests of two corporations have merged to such a degree that one corporation can use or direct the individual assets (or subsidy benefits) of the other corporation in essentially the same way it can use its own assets (or subsidy benefits) . . . Cross-ownership does not require one corporation to own 100 percent of the other corporation. Normally, cross-ownership will exist where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. In certain circumstances, a large minority voting interest (for example, 40 percent) or a "golden share" may also result in cross-ownership.[19]

Thus, the Department's regulations make clear that the agency must look at the facts presented in each case in determining whether cross-ownership exists. The U.S. Court of International Trade (CIT) has upheld the Department's authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.[20]

To determine whether firms are cross-owned, we turn to the definition of cross-ownership as provided under 19 CFR 351.525(b)(6)(vi). The regulation states that cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This regulation states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations.

Dragon Group

Dragon Group responded to the Department's original and supplemental questionnaires on behalf of itself and three affiliated input suppliers: Xianglu PC; Xianglu PC ZZ; and Xianglu CF.[21] With respect to these companies, we continue to make the same cross-ownership determination and attribution finding as we made in the *Preliminary Determination*.[22] These companies are cross-owned within the meaning of 19 CFR 351.525(b)(6)(vi); however, the ownership shareholding interests between these companies are not publicly available. For further discussion of ownership issues pertaining to these companies, refer to the Dragon Group Final Calculation Memo.[23]

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[19] *See Countervailing Duties,* 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).
[20] *See Barbeque de Fer de Charleroi, SA v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).
[21] *See* Dragon's June 1, 2015 response to bracketing of affiliated companies (June 1 QR) at Attachment 1. *See also* Dragon's June 1, 2015 response to Petitioners' Comments (June 1 Comments).
[22] *See Preliminary Determination* PDM at 6-7.
[23] *Id*. *See also* Memorandum from Bordas, Senior International Trade Compliance Analyst, AD/CVD Operations, Office VI, to Brian Davis, Acting Program Manager, AD/CVD Operations, Office VI, "Countervailing Duty Investigation of Polyethylene Terephthalate Resin from the People's Republic of China: Final Determination Calculations for Dragon Special Resin (Xiamen) Co., Ltd.; Xiang Lu Petrochemicals Co., Ltd.; Xianglu

For this final determination, we have also determined that DAC is cross-owned with Dragon Group within the meaning of 19 CFR 351.525(b)(6)(vi). DAC produces paraxylene (PX), which is an input primarily dedicated to the production of the downstream product.[24] The ownership shareholding interests between these companies are not publicly available. For further discussion of ownership issues pertaining to these companies, refer to the Dragon Group Final Calculation Memo.

Pursuant to 19 CFR 351.525(b)(6)(iv), we are attributing subsidies to DAC to the combined sales of the input and downstream products produced by the input producers and Dragon (net of intercompany sales). To measure the benefit and program use of certain subsidies received by DAC, we are applying adverse facts available (AFA) for this final determination. For further discussion, *see* the "Use of Facts Otherwise Available and Adverse Inferences," section, below.

Xingyu

In the *Preliminary Determination*, the Department determined that Xingyu was cross-owned with a number of affiliates. The companies included producers of subject merchandise, and producers or suppliers of inputs used in the production of the subject merchandise.[25] With respect to Xingyu, we continue to apply the same attribution methodology described in the *Preliminary Determination* for subsidies provided to the producers of the subject merchandise, the parent company and cross-owned producer of the input, pursuant to certain subsections under 19 CFR 351.525(b)(6).

For Dragon Group and Xingyu, we received comments concerning the appropriateness of including in the benefit calculations subsidies to cross-owned input suppliers that did not produce the supplied input. These comments are addressed, below, in the "Analysis of Comments" section, at Comment 1. For this final determination, we have not included certain subsidies received by input suppliers that did not actually produce the input that they supplied. Instead, for input suppliers that did not actually produce the input, we only attributed subsidies for inputs for which the benefit calculation demonstrated that the subsidy passed through to the respondents, such as purchases of PTA and monoethylene glycol (MEG) for less than adequate remuneration (LTAR).

C. Denominators

In accordance with 19 CFR 351.525(b)(1)-(5), the Department considers the basis for the respondent's receipt of benefits under each program when attributing subsidies, *e.g.*, to the respondent's export or total sales. At verification, Xingyu and Dragon Group presented minor corrections to their previously reported sales values. We have incorporated these revisions to the sales values, as necessary, for this final determination. The denominators we used to calculate the countervailable subsidy rates for the various subsidy programs described below are explained in the Dragon Group Final Calculation Memo and the Xingyu Final Calculation Memo.

Petrochemicals (Zhangzhou) Co., Ltd.; Xiamen Xianglu Chemical Fiber Company Limited; and Dragon Aromatics (Zhangzhou) Co., Ltd.," dated March 4, 2016 (Dragon Group Final Calculation Memo).
[24] *See* Dragon Aromatics' July 23, 2015 response (DAC QR).
[25] *See Preliminary Determination* Memorandum at 7-8.

VII. BENCHMARKS AND DISCOUNT RATES

We investigated loans received by Dragon Group and Xingyu from PRC state-owned commercial banks (SOCBs), as well as non-recurring, allocable subsidies.[26] The derivation of the benchmark and discount rates used to value these subsidies is discussed below.

A. Short-Term RMB-Denominated Loans

Section 771(5)(E)(ii) of the Act explains that the benefit for loans is the "difference between the amount the recipient of the loan pays on the loan and the amount the recipient would pay on a comparable commercial loan that the recipient could actually obtain on the market." Normally, the Department uses comparable commercial loans reported by the company as a benchmark.[27] If the firm did not have any comparable commercial loans during the period, the Department's regulations provide that we "may use a national average interest rate for comparable commercial loans."[28]

As noted above, section 771(5)(E)(ii) of the Act indicates that the benchmark should be a market-based rate. For the reasons first explained in *CFS from the PRC*, loans provided by PRC banks reflect significant government intervention in the banking sector and do not reflect rates that would be found in a functioning market.[29] Because of this, any loans received by the respondents from private PRC or foreign-owned banks would be unsuitable for use as benchmarks under 19 CFR 351.505(a)(2)(i). For the same reasons, we cannot use a national interest rate for commercial loans as envisaged by 19 CFR 351.505(a)(3)(ii). Therefore, because of the special difficulties inherent in using a PRC benchmark for loans, the Department is selecting an external market-based benchmark interest rate. The use of an external benchmark is consistent with the Department's practice. For example, in *Lumber from Canada,* the Department used U.S. timber prices to measure the benefit for government-provided timber in Canada.[30]

In past proceedings involving imports from the PRC, we calculated the external benchmark using the methodology first developed in *CFS from the PRC*[31] and more recently updated in *Thermal Paper from the PRC*.[32] Under that methodology, we first determine which countries are similar to the PRC in terms of gross national income, based on the World Bank's classification of countries as low income; lower-middle income; upper-middle income; and high income. As explained in *CFS from the PRC*, this pool of countries captures the broad inverse relationship

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[26] *See* 19 CFR 351.524(b)(1).
[27] *See* 19 CFR 351.505(a)(3)(i).
[28] *See* 19 CFR 351.505(a)(3)(ii).
[29] *See CFS from the PRC*, and accompanying Issues and Decision Memorandum at Comment 10.
[30] *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 (Lumber IDM) at "Analysis of Programs, Provincial Stumpage Programs Determined to Confer Subsidies, Benefit."
[31] *See CFS from the PRC*, and accompanying IDM at Comment 10.
[32] *See Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Thermal Paper from the PRC*) and accompanying Issues and Decision Memorandum (Thermal Paper IDM) at 8-10.

between income and interest rates. For 2001 through 2009, the PRC fell in the lower-middle income category.[33] Beginning in 2010, however, the PRC moved to the upper-middle income category and remained there through 2013.[34] Accordingly, as explained further below, we are using the interest rates of lower-middle income countries to construct the benchmark and discount rates for 2001-2009, and we used the interest rates of upper-middle income countries to construct the benchmark and discount rates for 2010-2013. This is consistent with the Department's calculation of interest rates for recent CVD proceedings involving PRC merchandise.[35]

After the Department identifies the appropriate interest rates, the next step in constructing the benchmark is to incorporate an important factor in interest rate formation, the strength of governance as reflected in the quality of the countries' institutions. The strength of governance has been built into the analysis by using a regression analysis that relates the interest rates to governance indicators.[36]

In each of the years from 2001-2009 and 2011-2013 the results of the regression analysis reflected the intended, common sense result: stronger institutions meant relatively lower real interest rates, while weaker institutions meant relatively higher real interest rates.[37] For 2010, however, the regression does not yield that outcome for the PRC's income group.[38] This contrary result for a single year does not lead us to reject the strength of governance as a determinant of interest rates. Therefore, we continue to rely on the regression-based analysis used since *CFS from the PRC* to compute the benchmarks for the years from 2001-2009 and 2011-2013. For the 2010 benchmark, we are using an average of the interest rates of the upper-middle income countries.

Many of the countries in the World Bank's upper-middle and lower-middle income categories reported lending and inflation rates to the International Monetary Fund, and they are included in that agency's international financial statistics (IFS). With the exceptions noted below, we used the interest and inflation rates reported in the IFS for the countries identified as "upper middle income" by the World Bank for 2010-2013 and "lower middle income" for 2001-2009.[39] First, we did not include those economies that the Department considered to be non-market economies for AD purposes for any part of the years in question, for example: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Turkmenistan. Second, the pool necessarily excludes any country that did not report both lending and inflation rates to IFS for those years. Third, we

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[33] *See* World Bank Country Classification, http://econ.worldbank.org/; *see also* Memorandum to the File "Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Interest Rate Memorandum," dated August 7, 2015 (Banking Memorandum).
[34] *See* World Bank Country Classification.
[35] *See*, *e.g.*, *Certain Frozen Warmwater Shrimp from the People's Republic of China: Preliminary Countervailing Duty Determination*, 78 FR 33346 (June 4, 2013) and accompanying Preliminary Decision Memorandum at "Benchmarks and Discount Rates," unchanged in *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013), and accompanying Issues and Decision Memorandum (Shrimp IDM).
[36] For loans received in 2014, we used a 2013 benchmark interest rate as the 2014 data has not been analyzed. *See* Comment 13 at "Analysis of Programs," below.
[37] *See* Banking Memorandum.
[38] *Id.*
[39] *Id*.

removed any country that reported a rate that was not a lending rate or that based its lending rate on foreign-currency denominated instruments. For example, Jordan reported a deposit rate, not a lending rate, and the rates reported by Ecuador and Timor L'Este are dollar-denominated rates; therefore, the rates for these three countries have been excluded. Finally, for each year the Department calculated an inflation-adjusted short-term benchmark rate, we also excluded any countries with aberrational or negative real interest rates for the year in question.[40] Because the resulting rates are net of inflation, we adjusted the benchmark to include an inflation component.[41]

B. *Long-Term RMB-Denominated Loans*

The lending rates reported in the IFS represent short- and medium-term lending, and there are not sufficient publicly available long-term interest rate data upon which to base a robust benchmark for long-term loans. To address this problem, the Department developed an adjustment to the short- and medium-term rates to convert them to long-term rates using Bloomberg U.S. corporate BB-rated bond rates.[42]

In *Citric Acid from the PRC*, this methodology was revised by switching from a long-term mark-up based on the ratio of the rates of BB-rated bonds to applying a spread which is calculated as the difference between the two-year BB bond rate and the n-year BB bond rate, where "n" equals or approximates the number of years of the term of the loan in question.[43] Finally, because these long-term rates are net of inflation as noted above, we adjusted the benchmark to include an inflation component.[44]

C. Foreign Currency-Denominated Loans

To calculate benchmark interest rates for foreign currency-denominated loans, the Department is following the methodology developed over a number of successive PRC investigations.[45] For U.S. dollar short-term loans, the Department used as a benchmark the one-year dollar London Interbank Offering Rate (LIBOR), plus the average spread between LIBOR and the one-year corporate bond rate for companies with a BB rating. Likewise, for any loans denominated in other foreign currencies, we used as a benchmark the one-year LIBOR for the given currency plus the average spread between the LIBOR rate and the one-year corporate bond rate for companies with a BB rating.

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

[40] *Id*.
[41] *Id*.
[42] *See*, *e.g.*, *Thermal Paper from the PRC*, and Thermal Paper IDM at 10.
[43] *See Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 74 FR 16836 (April 13, 2009) (*Citric Acid from the PRC*) and accompanying Issues and Decision Memorandum (Citric Acid IDM) at Comment 14.
[44] *See* Xingyu Final Calculation Memo.
[45] *See* Thermal Paper IDM at 10.

the term of the loan in question. *See* Banking Memorandum for the resulting inflation-adjusted benchmark lending rates.

D. *Discount Rates*

Consistent with 19 CFR 351.524(d)(3)(i)(A), we continue to use, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided non-recurring subsidies.[46] The interest rate benchmarks and discount rates used in our final calculations are provided in the Dragon Group Final Calculation Memo and Xingyu Final Calculation Memo.[47]

E. *MEG and PTA Benchmarks*

The Department normally relies on so-called "first-tier" benchmarks, pursuant to 19 CFR 351.511(a)(2)(i), which include prices stemming from actual transactions between private parties, actual imports, and, in certain circumstances, actual sales from competitively run government auctions, unless it determines that prices from such transactions are not available or are not suitable as benchmarks because the foreign government's presence in the input market is significant enough to lead to distorted prices. The respondents reported the information concerning their imports of MEG and PTA during the POI. Under 19 CFR 351.511(a)(2)(i), actual imports may be considered a "first-tier" benchmark.

For this final determination, we continue to find that the GOC's presence in the PTA market was not significant enough to lead to distorted domestic prices.[48] Record information indicates that the majority of PTA that is consumed within the PRC is provided by domestic production.[49] Further, the GOC provided information demonstrating that only 10 percent of domestic production is attributable to producers with majority government management or ownership interests.[50] Given the relatively small market share of state holdings in PRC PTA producers, and the lack of other evidence on the record to show that state-owned entities (SOEs) or government agencies through other methods had control of, or otherwise distorted, this market during the POI, we determine that the domestic PTA market is not distorted during the POI.[51]

Thus, we further determine that it is appropriate to rely on actual import transactions reported by the respondents as benchmarks for PTA, pursuant to 19 CFR 351.511(a)(2)(i), to determine the subsidy rate during the POI for the provision of PTA for LTAR.

As discussed in further detail in the "Use Of Facts Otherwise Available and Adverse Inferences," section, below, and at Comment 10, we amend our *Preliminary Determination* with regard to

[46] *Id.*
[47] *See* Dragon Final Calculation Memo and Xingyu Final Calculation Memo.
[48] *See Preliminary Determination* PDM at 12-13
[49] *Id.*
[50] *Id. See also* GOC VR at 6-7 and Exhibit 2-5.
[51] This finding is based solely on the facts of this particular proceeding and pertaining to the instant POI. In other cases, even if there are similar levels of import penetration and SOE production as here, we may consider other indicators of market distortion in determining whether domestic prices can serve as an appropriate benchmark.

benchmarks to measure the adequacy of remuneration for MEG.[52] As explained in the "Use Of Facts Otherwise Available and Adverse Inferences," section, below, because we were unable to verify the MEG market data, we are finding as AFA that the GOC's involvement in the MEG market significantly distorted MEG prices in the PRC. As such, we were unable to verify the MEG market data that we relied upon in the *Preliminary Determination* to determine that no distortion exists in the Chinese MEG market.

Given that we have determined that "tier-one" benchmark prices are not appropriate for MEG, we next evaluated information on the record to determine whether there is a "tier-two" world market price available to producers of subject merchandise in the PRC. Petitioners provided benchmark information that included information regarding MEG and PTA world market import prices, and information on ocean freight related to a previous case. We analyzed the benchmarks provided and concluded that the input prices provided by petitioners are not suitable as we normally rely upon export statistics, rather than import data, due to the accuracy of assessing the prices Chinese firms would have paid for the input product. Consequently, consistent with our practice, we placed world market prices of MEG exports as derived from the Global Trade Atlas (GTA) on the record.[53] We find the GTA pricing data is sufficiently reliable and representative for use in the benchmark calculation. We did not receive comments from parties concerning the GTA benchmark data.

The Department's regulations at 19 CFR 351.511(a)(2)(ii) state that where there is more than one commercially available world market price, the Department will average the prices to the extent practicable. According to 19 CFR 351.511(a)(2)(iv), we calculated a weight average of the GTA prices for each month. Regarding delivery charges, we have added to the monthly average benchmark prices amounts for ocean freight and inland freight charges that would be incurred to deliver MEG from the port to the company's facilities. For ocean freight, we have considered comments submitted by Xingyu and Dragon Group concerning the appropriateness of including certain data points, and we have addressed these comments in the Final Calculation Memoranda.[54] We have also added the applicable VAT and import duties, at the rates reported by the GOC. Our benchmark calculations are fully described in the Dragon Group Final Calculation Memo and Xingyu Final Calculation Memo.

F. *Provision of Electricity for LTAR*

In the *Preliminary Determination*, we relied, as AFA, on PRC provincial tariff schedules for electricity supplied by the GOC as a benchmark for measuring the benefit from electricity provided to the Dragon Group and to Xingyu for LTAR.[55] We received no comments on the appropriateness of this benchmark, and we continue to rely on this same information for this final determination.

[52] *See Preliminary Determination* PDM at 12-13. *See also* GOC VR at 4-6.
[53] *See* Memorandum from Emily Maloof to File, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China: Submitting Benchmark Information," (February 18, 2016).
[54] *See* Letter from Xingyu and Dragon Group, Re: "Certain Polyethylene Terephthalate from the People's Republic of China – Comments on Department Post-Preliminary Benchmarks" (February 23, 2016). *See also* Dragon Final Calculation Memo and Xingyu Final Calculation Memo.
[55] *See Preliminary Determination* PDM at 15-16.

VIII. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

A. Applicable Law

Section 776(a) of the Tariff Act of 1930, as amended (the Act) provides that, subject to section 782(d) of the Act, the Department shall apply "facts otherwise available" if: (1) necessary information is not on the record; or (2) an interested party or any other person (A) withholds information that has been requested, (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding, or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

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

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and CVD law, including amendments to sections 776(b) and 776(c) of the Act and the addition of section 776(d) of the Act.[56] The amendments to the Act are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to this investigation.[57]

Section 776(b) of the Act provides that the Department may use an adverse inference in applying the facts otherwise available when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. In doing so, and under the TPEA, the Department is not required to determine, or make any adjustments to, a countervailable subsidy rate based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information.[58] 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 countervailing duty investigation, a previous administrative review, or other information placed on the record.[59]

Section 776(c) of the Act provides that, in general, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it

[56] *See* TPEA, Pub. L. No. 114-27, 129 Stat. 362 (2015). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced applicability dates for each amendment to the Act, except for amendments to section 771(7) of the Act, which relate to determinations of material injury by the International Trade Commission. *See Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (*Applicability Notice*). The text of the TPEA may be found at https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl.
[57] *See Applicability Notice*, 80 FR at 46794-95.
[58] *See* section 776(b)(1)(B) of the Act; TPEA, section 502(1)(B).
[59] *See also* 19 CFR 351.308(c).

shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.[60] Secondary information is defined as information derived from the petition that gave rise to the investigation, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.[61] Further, and under the TPEA, the Department is not required to corroborate any countervailing duty applied in a separate segment of the same proceeding.[62]

Finally, under the new section 776(d) of the Act, when applying an adverse inference, the Department may use a countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country, or if there is no same or similar program, use a countervailable subsidy rate for a subsidy program from a proceeding that the Department considers reasonable to use. [63] The TPEA also makes clear that, when selecting facts available with an adverse inference, the Department is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an "alleged commercial reality" of the interested party.[64]

B. Application of Facts Available

Dragon Group – Import Duty Rate for Purchases of Capital Equipment

In its questionnaire response, Dragon Group did not report the original import duty rates for certain of its capital equipment purchases.[65] We asked in a supplemental questionnaire for these rates, and Dragon Group replied that these rates were unavailable because the import purchase included various components.[66]

The original import duty rates are necessary to calculate a benefit for the Import Tariff and Value-Added Tax (VAT) Exemptions on Imported Equipment in Encouraged Industries program. Therefore, consistent with the *Preliminary Determination*, pursuant to section 776(a)(1) of the Act, as facts available (FA) in this investigation, where Dragon Group did not report import duty rates, we continue to use the highest import duty rate that Dragon Group did report for its other import purchases to calculate the benefit under this program.[67] Dragon Group did not submit comments pertaining to this issue.

[60] *See also* 19 CFR 351.308(d).
[61] *See* Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-316, Vol. 1 at 870 reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (1994).
[62] *See* section 776(c)(2) of the Act; TPEA, section 502(2).
[63] *See* section 776(d)(1) of the Act; TPEA, section 502(3).
[64] *See* section 776(d)(3) of the Act; TPEA, section 502(3).
[65] *See* Dragon's June 15, 2015 Initial Questionnaire Response (Dragon IQR) at Exhibit 24.
[66] *See* Dragon's July 16, 2015 Supplemental Questionnaire Response (July 16 SQR) at page 6.
[67] *See Preliminary Determination* PDM at 14.

Dragon Group and Xingyu – Provision PTA for Less Than Adequate Remuneration

In their questionnaire responses, Dragon Group and Xingyu reported "unknown" for the producer name of certain purchases of PTA that were made during 2014.[68] In a supplemental questionnaire, we asked Dragon Group to describe the steps it undertook in its attempt to gather the requested producer identifications. Dragon Group responded by describing how it ascertained the identities of the producers that it did report.[69] Specifically, it either obtained the requested information from the packing bags or it obtained the producer information directly from the suppliers.[70] Where it could not obtain the requested producer information, Dragon Group reported "unknown."

As for Xingyu, the company stated that such purchases do not have accompanying product specification certificates from the producers.[71] Xingyu stated that the only documentation accompanying these purchases were "Goods Received Notes," which show only the identity of the suppliers, not the producers.[72]

Based on the above, because Dragon Group and Xingyu were unable to identify the producer(s) of the PTA that was purchased from trading companies, the GOC was not able to provide a response to the Input Producer Appendix for the companies that produced those purchases. In the *Preliminary Determination*, we found that the necessary information for these unidentified producers was not on the record. As such, we had no information that would enable us to determine that these producers are not "authorities" within the meaning of section 771(5)(B) of the Act. Parties did not comment on this issue. Therefore, we continue to make the same finding for the final determination.

Consistent with the *Preliminary Determination*, pursuant to section 776(a)(1) of the Act, as FA in this investigation, we continue to find that the percentage of MEG and PTA supplied to Dragon Group and Xingyu by trading companies that was produced by unidentified suppliers is attributable to "authorities" at the same ratio of MEG and PTA by SOEs during the POI.[73] We find that this portion of the PTA supplied by these "unknown" enterprises constitutes a financial contribution in the form of a governmental provision of a good under section 771(5)(D)(iii) of the Act and that Dragon Group and Xingyu received a benefit to the extent that the price they paid for the MEG and PTA produced by these producers was for LTAR. Our use of FA in this regard is consistent with the Department's practice[74] and section 776(a) of the Act.

[68] *See* Dragon IQR at Exhibits 28 and 31 and Xingyu June 15, June 22, and June 29 IQRs.
[69] *See* July 16 SQR at pages 1 and 2.
[70] *Id.*
[71] *See* Xingyu's July 16 SQR at pages 4-5.
[72] *Id.*
[73] *See* GOC IQR at 89-90 and 110-111. *See also Preliminary Determination* PDM at 14.
[74] See *Aluminum Extrusions From the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2010 and 2011*, 79 FR 106 (January 2, 2014), and accompanying IDM at "Provision of Primary Aluminum for LTAR" and Comment 18.

Application of Adverse Facts Available

DAC – Income Tax Programs

In its questionnaire response, Dragon Group stated that it did not need to provide a full questionnaire response for DAC because DAC was in the stage of pilot production, was still being established and not actually operating during the POI.[75] In response to Petitioners' concerns raised about DAC,[76] we instructed Dragon Group to provide a complete questionnaire response for DAC. In our questionnaire, we asked "please provide complete, translated tax returns filed during the POI (preferably a copy of the tax return stamped by the government). Include all schedules and attaches included with your return. In addition, please provide any amendments to your return." [77] In response to our request for its income tax returns, Dragon stated that this request was, "{n}ot applicable because DAC is still in the stage of pilot production and has not paid corporate income tax up to the present time."[78]

On the first day of verification, we asked Dragon Group for DAC's 2013 income tax return.[79] Dragon Group stated that DAC was not required to file an income tax return because it was in pilot production.[80] We instructed Dragon Group to provide some kind of support to prove it was not required by the GOC to file an income tax return. On the second day of verification, we asked again for this support. Dragon Group stated it was still looking for support.[81] At the beginning of the third day of verification, we asked again for the support. Dragon Group stated it had discovered information that it wanted to present to us at the end of the day.[82] At the end of the last day, Dragon Group provided its 2013 income tax return.[83] The form provided by DAC was not stamped with an official seal of acceptance by the national tax bureau, nor did it bear any other kind of markings to confirm its authenticity.[84] Thus, after being asked in the questionnaire, and repeatedly at verification, Dragon Group ultimately provided a tax return that the Department was unable to verify.[85] Therefore, the Department determines that the use of facts available pursuant to section 776(a)(2)(D) of the Act is warranted in determining the countervailability of the income tax programs.

We further find that an adverse inference is warranted, pursuant to section 776(b) of the Act. Despite repeated requests, Dragon Group failed to provide a copy of DAC's income tax return that could be confirmed as authentic and thus considered verified.[86] As a result, we find that

[75] *See* Dragon's May 18, 2015 questionnaire response (May QR) at 2-3.
[76] *See* Letter from Petitioners, "Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China – Petitioners' Response to Dragon's May 18, 2015 Affiliated Companies Questionnaire Response," (May 27, 2015) (Petitioners' May 27 Response).
[77] *See* Dragon's July 23, 2015 Supplemental Questionnaire Response (July 23 SQR) at 12.
[78] *See* Petitioners' May 27 Response at 12.
[79] *See* Dragon VR at 4-6.
[80] *Id.*
[81] *Id.*
[82] *Id.*
[83] *Id.*
[84] *Id.,* at Exhibit 4-12.
[85] *See* Dragon VR at 4-6.
[86] *Id.*

Dragon Group did not act to the best of its ability in this investigation. Accordingly, we find that AFA is warranted with regard to measuring income tax program use and benefit for DAC.

In applying AFA to Dragon Group for its failure to provide a verifiable income tax return for DAC, we are guided by the Department's approach in other recent PRC CVD investigations and reviews.[87] The standard income tax rate for PRC corporations filing income tax returns during the POI was 25 percent.[88] We, therefore, find that the highest possible benefit for all income tax reduction or exemption 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 the income tax credit and rebate, accelerated depreciation, or import tariff and VAT exemption programs because such programs may not affect the tax rate.[89]

<u>DAC - Import Tariff and VAT Exemptions on Imported Equipment in Encouraged Industries</u>

During the Department's verification of DAC's questionnaire response, the Department asked how we could verify DAC's reported purchases to confirm reporting completeness.[90] Company officials stated that they do not individually record their purchases in their financial accounts.[91] Instead, they refer to an equipment list that is eligible for import duty rebate. This list is specific to DAC and was issued in 2009.[92] Company officials explained that all the purchases on the purchase spreadsheet can be tied to the list, except certain domestic purchases for which there was no tax incentive or rebate.[93] We asked how the company compiled the list of purchases and company officials stated that they relied upon the physical invoices to compile the list.[94]

Because we were unable to tie Dragon's individual imported equipment purchases to its financial accounts, we were unable to verify the completeness of DAC's reporting of this program. Thus, we are basing the CVD rate for DAC, in part, on FA, pursuant to sections 776(a)(2)(D) of the Act because we were unable to verify reporting completeness of this program for DAC. We further find that an adverse inference is warranted, pursuant to section 776(b) of the Act because we determine that Dragon Group failed to act to the best of its ability when it. We are using as AFA a subsidy rate of 9.71 percent to measure DAC's benefit for this program because its information could not be verified.[95]

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[87] *See*, *e.g.*, *Certain Uncoated Paper From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 81 FR 3110 (January 20, 2016) (*Uncoated Paper from the PRC*), and accompanying Issues and Decision Memorandum at 20-21.
[88] *See* GOC QR at Exhibit 19 at 2 (unnumbered).
[89] *See*, *e.g.*, Thermal Paper IDM at "Selection of the Adverse Facts Available Rate;" *see also* Circular Welded Carbon-Quality Steel Pipe From India: Final Affirmative Countervailing Duty Determination, 77 FR 64468 (October 22, 2012) (*Steel Pipe from India*), and accompanying IDM at "Selection of the Adverse Facts Available Rate."
[90] *See* Dragon Group VR at 6-7.
[91] *Id.*
[92] *Id.*
[93] *Id.*
[94] *Id.*
[95] *See New Pneumatic Off-the-Road Tires From the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review*, 75 FR 64268, 64275 (October 19, 2010) (*Tires from the PRC Preliminary Results*) ("C: VAT and Import Duty Exemptions on Imported Material"), unchanged in *New Pneumatic Off-the-Road Tires From the People's Republic of China: Final Results of Countervailing Duty Administrative*

Dragon Group—Policy Loans and Preferential Export Financing

As discussed in Comment 5, below, before *the Preliminary Determination*, we instructed Dragon Group to "report all financing to your company that was outstanding at any point during the POI, regardless of whether you consider the financing to have been provided under the program."[96] In the *Preliminary Determination,* we relied on Dragon Group's responses to our questions regarding the Policy Loan and Preferential Export Financing programs. During verification Dragon Group presented, as minor corrections, numerous new loans that fell under the Policy Loans and Preferential Export Financing programs for Dragon and Xianglu CF and under the Policy Loan program for Xianglu PC ZZ.[97] Dragon Group explained that these loans were paid off during the POI, and, thus, Dragon did not report these loans prior to verification.[98] During verification, we rejected these loans as being mere minor corrections because the scope of the corrections was not minor in nature.[99] Therefore, because the extensive nature of the corrections presented at verification by Dragon Group to its loans, we were not able to verify the Policy Lending or Export Financing programs for Dragon and its cross-owned affiliates.

Thus, we find that Dragon Group withheld necessary information requested by the Department regarding it use of these programs and that as a result, necessary information is missing on the record. In accordance with sections 776(a)(1) and 776(a)(2) of the Act, we determine that the use of FA is warranted in determining the countervailability of these programs for the companies listed above. Moreover, because Dragon Group failed to provide necessary information regarding program use, despite the Department's requests that it do so, we find that Dragon Group failed to act to the best of its abilities in providing requested information that was in its possession, and that the application of AFA is warranted, pursuant to 776(b) of the Act, in determining benefit.

We attempted to verify loans that fell under the Policy Loan program for Xianglu PC and DAC and Preferential Export Lending programs for Xianglu PC, Xianglu PC ZZ and DAC. We discovered at verification that, rather than reporting the interest expenses for loans as they were incurred by the companies during the POI, Dragon Group used a formula to approximate its interest expenses.[100] Dragon Group confirmed that it relied upon this formula for reporting all of its loans for all cross-owned companies.[101] Because of Dragon Group's decision with regard to this reporting methodology, we were unable to verify the actual interest expenses that Dragon Group incurred for these loans.

We rely upon the interest expenses to calculate the benefit for loan programs. Thus, we find that necessary information is not available on the record, and that Dragon Group withheld information requested by the Department. In accordance with section 776(a)(1) and 776(a)(2) of the Act, we determine that the use of FA is warranted in determining Dragon Group's benefits

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Review, 76 FR 23286 (April 26, 2011) (*Tires from the PRC Final Results*).
[96] *See* Dragon IQR at 14-15
[97] *See* Dragon VR at 2-3.
[98] *Id.*
[99] For additional information concerning the scope of the minor corrections, *see* Dragon Group's verification report at 2-3.
[100] *See* Dragon VR at 12-13.
[101] *Id.*

from these programs for the companies listed above. Moreover, because Dragon Group failed to provide necessary information regarding program use, despite the Department's request that it do so, we find that Dragon Group failed to act to the best of its abilities in providing requested information that was in its possession, and that the application of AFA is warranted, pursuant to 776(b) of the Act, in determining benefit.

Relying on AFA, we find, as discussed below under Comment 5, that the Dragon Group benefited at the rate of 10.54 percent *ad valorem* for Policy Loans and 10.54 percent *ad valorem* for Preferential Export Lending.

Dragon Group and Xingyu—Grants Discovered at Verification

On the first day of verification Xingyu and Dragon Group presented previously unreported grants as minor corrections. For Dragon Group, we accepted two of the three grants presented as minor corrections.[102] For Xingyu, we rejected four of the six grants presented as minor corrections.[103] We rejected the other five previously unreported grants because these were recorded in accounts that should have been examined prior to verification, and "whether a program was used or not by a company is not 'minor' in the view of the Department."[104]

The Department's initial questionnaire asked respondents to report "other subsidies."[105] The questionnaire is clear in instructing respondents to report "any other forms of assistance to {the} company."[106] Therefore, we find that necessary information is not available on the record, and Xingyu and Dragon Group withheld information requested by the Department. In accordance with sections 776(a)(1) and 776(a)(2) of the Act, we determine that the use of FA is warranted in calculating Xingyu and Dragon Group's benefits from these programs. Moreover, because Xingyu and Dragon Group failed to the best of their ability to answer our questions on "other subsidies," including reporting assistance which should have been discovered in respondents' accounting system, we find that Xingyu and Dragon Group failed to act to the best of their abilities in providing requested, necessary information that was in their possession, and that the application of AFA is warranted, pursuant to 776(b) of the Act, in determining benefit. Relying on AFA, we find, as discussed below under Comment 2, that Xingyu and Dragon Group benefited at the rate of 0.58 percent *ad valorem* per missing program, the highest rate determined for a similar program in a prior CVD proceeding.[107]

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[102] *See* Dragon VR at VE 1-1.
[103] *See* Xingyu VR at VE 1-1.
[104] *See Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 80 FR 34888 (June 18, 2015), and accompanying IDM at 18. Three of the five grants rejected at verification were related to a cross-owned affiliate that was excluded from this program calculation, as it was not a producer of the input it supplied. For these three grants, there is thus no countervailable subsidy attributed to Dragon Group. *See also* "Attribution of Subsidies."
[105] *See* Department's *Initial Questionnaire* at Section III.
[106] *Id.*
[107] *See Off-the-Road Tires from the PRC CVD Review Preliminary Results*, 75 FR at 64275, unchanged in *Off-the-Road Tires from the PRC CVD Review*.

Dragon Group—VAT Refunds for FIEs for Domestically-Produced Equipment

As discussed below, at the verification of Dragon Group's questionnaire response, we discovered domestic purchases that were not reported to the Department and for which Dragon Group did not pay VAT.[108] Dragon Group explained that it chose not to report these purchases that were not eligible for the VAT refund as no VAT was due.[109] While the program was initiated as inclusive of both refunds and exemptions, Dragon Group made the methodological decision not to report the exemptions to the Department.[110]

Therefore, we find that necessary information is not available on the record, and Dragon Group withheld information requested by the Department. In accordance with section 776(a)(1) and 776(a)(2) of the Act, we determine that the use of FA is warranted in calculating Dragon Group's benefits from this program. Moreover, because Dragon Group failed to provide complete details regarding program use, despite the Department's request that it do so, we find that Dragon Group failed to act to the best of its ability in providing requested information that was in their possession, and that the application of AFA is warranted, pursuant to 776(b) of the Act, in determining benefit. Relying on AFA, we find, as discussed below under Comment 6, that Dragon Group benefited at the rate of 9.71 percent *ad valorem*, the highest rate determined for a similar program in a prior CVD proceeding.[111]

GOC – Provision of Electricity for LTAR

The GOC did not provide complete responses to the Department's questions regarding the alleged provision of electricity for LTAR. These questions requested information 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 both the Department's original questionnaire and the July 2, 2015 supplemental questionnaire, the Department asked the GOC to provide, for each province in which a respondent is located, a detailed explanation of: (1) how increases in the cost elements in the price proposals led to retail price increases for electricity; (2) how increases in labor costs, capital expenses and transmission, and distribution costs are factored into the price proposals for increases in electricity rates; and (3) how the cost element increases in the price proposals and the final price increases were allocated across the province and across tariff end-user categories. The GOC provided no provincial-specific information in response to these questions in its initial questionnaire response.[112] The Department reiterated these questions in a supplemental questionnaire and the GOC did not provide the requested information in its supplemental questionnaire response.[113] This information is necessary for determining whether the GOC provides a subsidy that is specific under this program. We received no comments from parties

[108] *See* Dragon VR at 17-18.
[109] *Id.*
[110] *See* Countervailing Duty Investigation Initiation Checklist: Certain Polyethylene Terephthalate Resin from the People's Republic of China (PRC CVD Initiation Checklist), dated March 30, 2015.
[111] *See Off-the-Road Tires from the PRC CVD Review Preliminary Results*, 75 FR at 64275, unchanged in *Off-the-Road Tires from the PRC CVD Review*.
[112] *See* the GOC's June 15, 2015 Initial Questionnaire Response (GOC IQR) at 121.
[113] *See* the GOC's July 16, 2015 Supplemental Questionnaire Response (GOC July 16 SQR) at 23-24.

on this determination. Consequently, we continue to determine that necessary information is not available on the record and that the GOC withheld information that was requested of it.

Therefore, the Department relies on FA in making our determination pursuant to sections 776(a)(1) and (a)(2)(A) of the Act. Moreover, we continue to determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our requests for information. In this regard, despite being asked twice for the information, the GOC did not explain why it was unable to provide the requested information, nor did the GOC ask for additional time to gather and provide such information. Consequently, an adverse inference is warranted in the application of FA under section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of electricity constitutes a financial contribution within the meaning of section 771(5)(D) of the Act and that there is specificity within the meaning of section 771(5A) of the Act. We also relied on an adverse inference in selecting the benchmark for determining the existence and amount of the benefit. The benchmark rates we selected are derived from information from the record of the instant investigation and are the highest electricity rates on this record for the applicable rate and user categories.[114]

<u>GOC – Whether Certain PTA and MEG Producers Are "Authorities"</u>

As discussed below under the section "Programs Found to be Countervailable," the Department is investigating whether the GOC provided PTA and MEG for LTAR. We asked the GOC to provide information regarding the specific companies that produced the PTA and MEG that the mandatory respondents purchased during the POI. Specifically, we sought information from the GOC that would allow us to analyze whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act. For each producer that the GOC claimed was privately owned by individuals during the POI, we requested identification of the owners, members of the board of directors, or managers of the producers who were also government or Chinese Communist Party (CCP) officials or representatives during the POI.[115]

The GOC did not provide this requested information for any producer. Instead, the GOC argued that "even if an owner, a director, or a manager of the two producers is a Government or CCP official, this individual can never have additional responsibility, authority and/or capacity regarding the operation of the company as a consequence of his/her official or representative identity."[116]

Because the GOC did not provide information we need for our analysis, we asked for this information a second time, in a supplemental questionnaire issued on July 2, 2015. The GOC referred back to its June 15, 2015 initial questionnaire response and stated that it could not provide additional information.[117]

The GOC did not identify the individual owners, members of the board of directors or senior managers of the producers who were CCP officials during the POR for any producer. The

[114] *See* Preliminary Benchmark Memo.
[115] *See Uncoated Paper from China* and accompanying IDM at 15.
[116] *See* GOC's IQR at 76-77.
[117] *See* GOC's July 16 SQR at 13.

Department considers information regarding the CCP's involvement in the PRC's economic and political structure to be relevant because public information suggests that the CCP exerts significant control over activities in the PRC.[118] We have explained our understanding of the CCP's involvement in the PRC's economic and political structures in past proceedings.[119] With regard to the GOC's claim that PRC law prohibits GOC officials from taking positions in private companies, we have previously found that this particular law does not pertain to CCP officials.[120]

The information we requested regarding the role of CCP officials in the management and operations of these producers is necessary to our determination of whether these producers are "authorities" within the meaning of section 771(5)(B) of the Act. The GOC did not indicate that it had attempted to contact the CCP, or that it consulted any other sources. The GOC's responses in prior CVD proceedings involving the PRC demonstrate that it is, in fact, able to access information similar to what we requested.[121] Additionally, pursuant to section 782(c) of the Act, if the GOC could not provide any information, it should have promptly explained to the Department what attempts it undertook to obtain this information and proposed alternative forms of providing the information.[122]

We continue to find that the GOC has withheld necessary information that was requested of it and, thus, that the Department must rely on "facts otherwise available" in issuing our determination, pursuant to section 776(a)(2)(A) of the Act. Moreover, we continue to find that the GOC failed to cooperate by not acting to the best of its ability to comply with our requests for information. Consequently, we find that an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. As AFA, we are finding that certain producers of PTA and MEG for which the GOC failed to identify whether the members of the board of directors, owners or senior managers were CCP officials, are "authorities" within the meaning of section 771(5)(B) of the Act.[123] We address the GOC's arguments about this issue at Comment 9.

[118] *See* Memorandum from Ilissa Kabak Shefferman, International Trade Compliance Analyst to the File, "Placement of information onto the record" (August 7, 2015).
[119] *Id. See also Uncoated Paper from the PRC* at 15.
[120] *See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010), and accompanying IDM at 16.
[121] *See*, *e.g.*, *High Pressure Steel Cylinders From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012) (*HPSC from the PRC*), and accompanying IDM (HPSC IDM) at 13.
[122] Section 782(c)(1) of the Act states, "{i}f an interested party, promptly after receiving a request from the administering authority or the Commission for information, notifies the administering authority or the Commission (as the case may be) that such party is unable to submit the information requested in the requested form and manner, together with a full explanation and suggested alternative forms in which such party is able to submit the information, the administering authority of the Commission (as the case may be) shall consider the ability of the interested party to submit the information in the requested form and manner and may modify such requirements to the extent necessary to avoid imposing an unreasonable burden on that party." Furthermore, the Department's questionnaire explicitly informs respondents that if they are unable to respond completely to every question in the questionnaire by the established deadline, or are unable to provide all requested supporting documentation by the same date, the respondents must notify the official in charge and submit a request for an extension of the deadline for all or part of the questionnaire response.
[123] *See* Comment 9 for the GOC's rebuttal of this finding.

For details on the calculation of the subsidy rate for the respondents, *see* below at "Provision of MEG for LTAR" and "Provision of PTA for LTAR."

<u>GOC – The MEG Market Is Distorted by the Significant Government Presence</u>

In the initial questionnaire, the Department requested information about the value and volume of MEG domestic consumption that is accounted for by domestic production.[124] The Department requests such information to determine the government's role in the relevant input market, including whether the GOC is the predominant provider of these inputs in the PRC and whether its significant presence in the market distorts all domestic transaction prices. The GOC provided the requested data, asserting that only about 30 percent of MEG domestic consumption was accounted for by domestic production.[125,126] The Department relied upon the GOC's assertion to preliminarily determine that the GOC's presence in the MEG market does not result in distorted prices.[127] Subsequent to our *Preliminary Determination*, we attempted to verify the MEG market information. In preparation for verification, we asked the GOC to verify its claim that imports of MEG accounted for nearly 70 percent of domestic consumption during the POI.[128] We also asked the GOC to verify the role of state-owned enterprises or government agencies in the MEG market during the POI.[129]

In its questionnaire response, the GOC stated that the MEG import data and domestic market data came from China Chemical Fibers Association (CCFA).[130] At verification, the GOC made CCFA officials available. However, for the first time, the Department discovered that CCFA data was obtained from an independent consulting firm that gathered the data on the CCFA's behalf.[131] We asked whether there was anyone from the independent consulting firm who could speak to how they collected the data. However, no one from the consulting firm was made available to speak to the Department at verification.[132] We asked whether the CCFA knew how the consulting firm came to their data. CCFA officials stated that they did not know.[133] Further, the GOC was unable to explain how the consulting firm collected its market data.[134] We asked whether the GOC did its own research to ensure the reported domestic production of MEG covers all MEG producers in China. The GOC said it did not.[135] Thus, because we were unable to determine how the MEG market data was collected, we find that the MEG market data submitted by the GOC is unverified and cannot be used to determine what types of entities supply the domestic MEG market and the extent to which imports constitute a significant share of domestic MEG consumption. As a result, the Department was unable to verify that the Chinese MEG market is not distorted by the government's role in that market.

124 *See* April 28, 2015 Countervailing Duty Questionnaire at section "Questionnaire for the People's Republic of China" at 6-7.
125 *See* GOC's IQR at 89.
126 *Id,.* at 74-75 and Exhibits 34 and 35.
127 *See* Preliminary Determination at 12.
128 *See* Verification Outline from the Department to the GOC at 7 (October 29, 2015).
129 *See* GOC VR at 4-6.
130 *Id.,* at 2.
131 *See* GOC VR at 4-6.
132 *Id.*, at 5.
133 *Id.*
134 *Id.*
135 *Id.*

Because we determine the MEG market data is unverified, the Department must rely on "facts available" in making our final determination, in accordance with section 776(a)(2)(D) of the Act. Moreover, we find that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Specifically, the GOC's failure to disclose prior to verification that it relied on an independent, third-party consultant to source its market data; its inability to explain the sources of the market data; its inability to explain how the data was gathered; its failure to make available personnel from the consulting firm to answer the Department's questions about the data; and its failure to ensure the reliability of the market data impaired the Department's ability to verify the MEG market data. Consequently, we find that an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act.

In drawing an adverse inference, we find that PRC prices of MEG from actual transactions involving Chinese buyers and sellers are distorted by the significant presence and involvement of the GOC.[136] Therefore, we find that the use of domestic Chinese prices are not suitable as benchmarks and that an external benchmark is warranted for calculating the benefit for the provision of MEG for less than adequate remuneration.[137] Further, as a result of this application of AFA, we no longer have reliable record information as to what percentage of MEG production can be attributed to state-owned entities.[138] As a consequence, for MEG purchases where the respondents were unable to report the identity of the producer, we are attributing these purchases to GOC authorities.

<u>GOC – The Provision of PTA and MEG is specific</u>

The Department asked the GOC to provide a list of industries in the PRC that purchase PTA and MEG directly and to provide the amounts (volume and value) purchased by each of the industries, including the PET resin industry.[139] The Department requests such information for purposes of its *de facto* specificity analysis. The GOC stated that it does not collect this information and could not provide the requested information regarding the industries in the PRC that purchase PTA and MEG directly.[140] In our July 2, 2015 supplemental questionnaire, we asked a second time for this information, and instructed the GOC that it should explain what steps it took in its attempt to gather the data. We also instructed the GOC to explain why it could not solicit the requested information from the CCFA or some other public source. Again, the GOC did not provide the requested information.[141] It also did not explain how it attempted to gather the requested information, nor why this information is not available from the CCFA or other public source.[142]

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[136] *See CVD Preamble*, 63 FR 65348, 65377.
[137] *See Uncoated Paper from China* IDM at 54.
[138] *See Preliminary Determination* at 12.
[139] *See* Initial Questionnaire at Section B.1 and B.2.
[140] *See* GOC IQR at 92 and 113.
[141] *See* GOC July 16 SQR at 18-19.
[142] *Id.*

In the *Preliminary Determination*, we preliminarily determined that an application of adverse facts available was warranted.[143] The GOC did not comment on this determination. Therefore, consistent with past proceedings and our *Preliminary Determination*,[144] we continue to determine that necessary information is not available on the record and that the GOC has withheld information that was requested of it, and, thus, that the Department must rely on "facts available" in making our determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. Moreover, we continue to determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of MEG and PTA is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act.

<u>GOC - Energy Savings Technology Reform</u>

Dragon Group reported, and the GOC confirmed, use of the Energy Savings Technology Reform program. However, the GOC did not provide the information we requested to determine whether this program is *de facto* specific. Namely, the GOC stated it did not collect the information relating to:

(a) The amount of assistance approved for each mandatory respondent company, including all cross-owned companies and trading companies that sell the subject merchandise to the United States.
(b) The total amount of assistance approved for all companies under the program.
(c) The total number of companies that were approved for assistance under this program.
(d) The total amount of assistance approved for the industry in which the mandatory respondent companies operate, as well as the totals for every other industry in which companies were approved for assistance under this program.
(e) The total number of companies that applied for, but were denied, assistance under this program.[145]

The GOC also did not provide this information when it was requested of it in the Department's supplemental questionnaire.[146] Again, it stated that it did not collect these data.[147]

In the *Preliminary Determination*, we preliminarily determined an application of adverse facts available was warranted.[148] We did not receive comments on this determination. Therefore, we continue to determine that necessary information is not available on the record and that the GOC has withheld information that was requested of it, and, thus, that the Department must rely on "facts available" in making our determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. Moreover, we continue to determine that the GOC failed to cooperate

[143] *See Preliminary Determination* PDM at 17-18
[144] *See Utility Scale Wind Towers From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 75978 (December 26, 2012), and accompanying Issues and Decision Memorandum (Wind Towers IDM) at Comment 13. *See also Preliminary Determination* PDM at 17-18.
[145] *See* GOC IQR at 12.
[146] *See* GOC July 16 SQR at 2.
[147] *Id.*
[148] *See Preliminary Determination* at 18-19.

by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of Energy Savings Technology Reform is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. We did not receive comments from parties on this determination.

<u>GOC – Provision of "Other Subsidies" as Specific</u>

In response to Dragon Group's and Xingyu's self-reporting of numerous "Other Subsidies" in their initial questionnaire responses,[149] we issued a supplemental questionnaire to the GOC requesting full questionnaire responses regarding these initially-reported "Other Subsidies." In its response, the GOC provided no information regarding these subsidy programs, other than the amount of the grants and year of receipt, in either its initial questionnaire response or its supplemental questionnaire response.[150] In its supplemental questionnaire response, the GOC stated that due to time limitations and the number of local government entities involved, it was unable to provide full questionnaire responses regarding these initially-reported "Other Subsidies" reported by respondents in initial questionnaire responses. The GOC further stated that it believes the limited information it did provide (*i.e.*, the amount and year of receipt) is sufficient for the Department to make a determination for the subsidy rate calculation.

In the *Preliminary Determination*, we preliminarily determined an application of AFA was warranted.[151] We did not receive comments from parties on this determination. Therefore, based upon the above, we continue to determine that necessary information to determine whether these initially-reported "Other Subsidies" are specific is not available on the record and that the GOC has withheld information that was requested of it, and, thus, that the Department must rely on "facts available" in making our determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. Moreover, we continue to determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of these initially-reported "Other Subsidies" is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act.

In addition, late in the proceeding, on July 20, Dragon Group reported in a supplemental questionnaire response the receipt of 84 additional "Other Subsidies" during the POI and AUL.[152] As noted above, the GOC stated its intention in its initial questionnaire response to not respond to questioning regarding "Other Subsidies." Specifically, the GOC stated, "{i}n the absence of allegations and sufficient evidence in respect of "other" subsidies, consistent with Article 11.2 and other relevant articles of the WTO Agreement on Subsidies and Countervailing Measures no reply to this question is warranted or required."[153] Accordingly, there is no information on the record from the GOC regarding these 84 "Other Subsidies."

[149] *See* Dragon IQR at Section G: Other Subsidies; *see also* Xingyu's June 15, June 22, and June 29 IQRs.
[150] *See* GOC IQR at Section F: Other Subsidies; *see also* GOC July 16 SQR at 30.
[151] *See Preliminary Determination* at 19.
[152] *See* Dragon 7/20 SQR.
[153] *See* GOC IQR at page 128.

Based upon the above, we continue to determine that necessary information to determine whether these 84 "Other Subsidies" confer a financial contribution and constitute specific subsidies is not available on the record and that the GOC has withheld requested information. Thus, the Department must rely on "facts available" in making our determination in accordance with sections 776(a)(1) and 776(a)(2)(A) of the Act. Moreover, we continue to determine that the GOC failed to cooperate by not acting to the best of its ability to comply with our request for information. Consequently, an adverse inference is warranted in the application of facts available pursuant to section 776(b) of the Act. In drawing an adverse inference, we find that the GOC's provision of various "Other Subsidies" is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act and constitute a financial contribution pursuant to section 771(5)(D) of the Act.

C. Selection of the Adverse Facts Available Rate

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1) authorize the Department to rely on information derived from (1) the petition, (2) a final determination in the investigation, (3) any previous review or determination, or (4) any information placed on the record. The Department's practice when selecting an adverse rate from among the possible sources of information is to ensure that the result is sufficiently adverse "as to effectuate the statutory purposes of the AFA rule to induce respondents to provide the Department with complete and accurate information in a timely manner."[154] The Department's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[155]

In this investigation, the Department is examining the programs discussed in the *Preliminary Determination*. Because Xingyu, Dragon Group, and the GOC failed to act to the best of their ability in this investigation with regard to the programs discussed above, we are making an adverse inference with respect to these programs on which the Department initiated in this investigation.

It is the Department's practice in a CVD investigation to select, as AFA, the highest calculated rate for the identical subsidy program, or if no identical subsidy program with a subsidy rate above zero is available, then a similar program.[156] Specifically, for programs other than those involving income tax exemptions and reductions, the Department applies the highest calculated

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[154] *See Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909, 8932 (February 23, 1998).
[155] *See* SAA, accompanying the URAA, H. Doc. No. 16, 103d Cong. 2d Session at 870 (1994).
[156] *See*, *e.g.*, *Laminated Woven Sacks From the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination, in Part, of Critical Circumstances*, 73 FR 35639 (June 24, 2008) (*Laminated Sacks*), and accompanying IDM at "Selection of the Adverse Facts Available;" *Aluminum Extrusions From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) (Aluminum Extrusions from the PRC), and accompanying IDM at "Application of Adverse Inferences: Non-Cooperative Companies;" *Galvanized Steel Wire From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 17418 (March 26, 2012) (Steel Wire from the PRC), and accompanying IDM at "Use of Facts Otherwise Available and Adverse Inferences;" and *Steel Pipe from India* and accompanying IDM at "Selection of the Adverse Facts Available.
Rate."

rate for the identical program in the investigation if a responding company used the identical program, and the rate is not zero. If there is no identical program within the investigation where the rate is above zero, the Department looks for an above *de minimis* rate for the identical program in another proceeding involving the same country. Absent an above *de minimis* rate for the identical program, the Department uses the highest rate calculated for a similar program (based on treatment of the benefit) in another CVD proceeding involving the same country. Absent an above *de minimis* subsidy rate calculated for a similar program, the Department applies the highest calculated subsidy rate for any program otherwise identified that could conceivably be used by the companies.[157]

The standard income tax rate for PRC corporations filing income tax returns during the POI was 25 percent.[158] We, therefore, find that the highest possible benefit for all income tax reduction or exemption 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 the income tax credit and rebate, accelerated depreciation, or import tariff and value add tax (VAT) exemption programs because such programs may not affect the tax rate.[159]

D. Corroboration of Secondary Information Used to Derive AFA Rates

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as "information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise."[160]

The SAA provides that to "corroborate" secondary information, the Department will satisfy itself that the secondary information to be used has probative value.[161] The Department will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that the Department need not prove that the selected facts available are the best alternative information.[162]

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. Additionally, as stated above, we are applying subsidy rates which were calculated in this investigation or previous PRC CVD investigations or

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157 *See*, *e.g.*, Thermal Paper IDM at "Selection of the Adverse Facts Available Rate."
158 *See* GOC QR at Exhibit 19 at 2 (unnumbered).
159 *See*, *e.g.*, Thermal Paper IDM at "Selection of the Adverse Facts Available Rate;" *see also* Circular Welded Carbon-Quality Steel Pipe From India: Final Affirmative Countervailing Duty Determination, 77 FR 64468 (October 22, 2012) (*Steel Pipe from India*), and accompanying IDM at "Selection of the Adverse Facts Available Rate."
160 *See* SAA, at 870.
161 *Id.*
162 *Id.*, at 869-870.

administrative reviews. Additionally, no information has been presented which calls into question the reliability of these previously calculated subsidy rates that we are applying as AFA.

With respect to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. The Department will not use information where circumstances indicate that the information is not appropriate as AFA.[163]

In the absence of record evidence concerning certain programs under investigation, we reviewed the information concerning PRC subsidy programs in this and other cases. For those programs for which the Department found a program-type match, we find that, because these are the same or similar programs, they are relevant to the programs under investigation in this case. For the programs for which there is no program-type match, we selected the highest calculated subsidy rate for any PRC program from which the respondents could receive a benefit to use as AFA. The relevance of these rates is that they are actual, calculated CVD rates for a PRC program from which the companies could actually receive a benefit. Further, these rates were calculated for periods close to the POI. Due to the lack of certain record information concerning the programs under investigation, the Department corroborated the rates it selected to the extent practicable.

IX. ANALYSIS OF PROGRAMS

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

A. Programs Determined To Be Countervailable

1. <u>Policy Loans to the PET Resin Industry</u>

The Department examined whether the GOC has encouraged the development of the PET resin industry through financial support from SOCBs and government policy banks, such as the China Development Bank.

When examining a loan program, the Department looks to whether government plans or other policy directives lay out objectives or goals for developing the industry and call for lending to support objectives or goals. Where such plans or policy directives exist, then it is our practice to find that a policy lending program exists that is specific to the named industry (or producers that fall under that industry). Once that finding is made, we rely upon the analysis undertaken in *CFS from the PRC*, supplemented by the subsequent analysis in the Public Bodies Memorandum, to further conclude that national and local government control over the SOCBs render the loans a government financial contribution.

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

Dragon Group and Xingyu, as well as their cross-owned companies, reported having loans outstanding from SOCBs in the PRC during the POI.[164] The Department continues to find that these loans are countervailable. The information on the record indicates the GOC placed great emphasis on targeting the petrochemical and, more specifically, the ethylene industries (both of which are involved in the production of PET resin), for development in recent years. For example, the "*Guidelines of the 11th Five-Year Plan for National Economic and Social Development* (2006-2010)" calls for the support of the petrochemical industry and specifically the ethylene industry.[165] Additionally, the *Guidance Catalogue on Industrial Structural Adjustment* (2011), (Revised 2013) lists the petrochemical industry as an "encouraged category."[166] Also, the *Order of the State Development Planning Commission and the State Economic and Trade Commission on Distributing the List of industries, Products and Technologies Currently Encouraged by the State for Development (Revised in 2000)* lists the ethylene industry as "encouraged."[167] Finally, the *Decision of the State Council on Promulgating and Implementing the 'Temporary Provisions on Promoting Industrial Structure Adjustment' No. 40* states in the preamble that "All relevant administrative departments shall speed up the formulation and amendment of policies on public finance, taxation, credit, land, import and export, etc., effectively intensify the coordination and cooperation with industrial policies, and further improve and promote the policy system on industrial structure adjustment" with respect to the listed industrial categories.[168] Article 6 of the Decision of the State Council on Promulgating the Interim Provision on Promoting Industrial Structure Adjustment for Implementation (No. 40 (2005)) lists the petrochemical and ethylene industries.[169]

Therefore, given the evidence demonstrating the GOC's objective of developing the petrochemical and (more specifically) the ethylene sector, through preferential loans, we determine there is a program of preferential policy lending specific to producers of PET resin within the meaning of section 771(5A)(D)(i) of the Act. We also find that loans from SOCBs under this program constitute financial contributions, pursuant to sections 771(5)(B)(i) and 771(5)(D)(i) of the Act, because SOCBs are "authorities."[170] The loans provide a benefit equal to the difference between what the recipients paid in interest on their loans and the amount they would have paid on comparable commercial loans.[171] To calculate the benefit from this program, we used the benchmarks discussed above under the "Subsidy Valuation Information" section.[172] To calculate the net countervailable subsidy rate under this program we divided the benefit by the appropriate sales denominator (exclusive of inter-company sales), as described in the "Subsidies Valuation" section, above. For Dragon Group, we are relying on AFA to determine the benefit, as described above.

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[164] *See* Dragon's IQR at Exhibit 21; *see also* Xingyu's Initial QR at Exhibit 9.
[165] *See* GOC's IQR at Exhibit 7, Chapter 13, section 2.
[166] *Id.,* at Exhibit 15, Chapter XI.
[167] *Id*., at Exhibit 16, Article 17.
[168] *Id*., at Exhibit 17.
[169] *Id*.
[170] *See*, *e.g.*, *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) (*OTR Tires from the PRC*) and accompanying IDM at Comment E2.
[171] *See* section 771(5)(E)(ii) of the Act.
[172] *See also* 19 CFR 351.505(c).

On this basis, we determine a subsidy rate of 1.43 percent *ad valorem* for Xingyu and 10.54 percent *ad valorem* for Dragon Group.[173]

2. <u>Preferential Export Financing</u>

Dragon Group and Xingyu reported receiving loans from the Export-Import Bank of China (EIBC) during the POI.[174] Dragon Group reported that these loans were for export order financing.[175] Xingyu reported that these loans were for purchase of materials, fixed facilities, and imports.[176]

We find that respondents' loans from the EIBC that were outstanding during the POI are countervailable export loans. Consistent with *Seamless Pipe from the PRC*, as a loan from a government policy bank, these loans constitute a direct financial contribution from the government, pursuant to section 771(5)(D)(i) of the Act.[177] We further determine that the EIBC export loans are specific under section 771(5A)(B) of the Act because receipt of the financing is contingent upon export performance.[178] Also, we determine that the export loans confer a benefit within the meaning of section 771(5)(E)(ii) of the Act.[179]

To calculate the benefit under this program, we compared the amount of interest paid against the export loans to the amount of interest that would have been paid on a comparable commercial loan. As our benchmark, we used the short-term interest rates discussed above in the "Benchmarks and Discount Rates" section. To calculate the net countervailable subsidy rate for Dragon Group and Xingyu, we divided the benefits by the appropriate total export sales denominator (exclusive of inter-company sales), as described in the "Subsidies Valuation" section, above. For Dragon Group, we are relying on AFA to determine the benefit, as described above.

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[173] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo. *See also* "Application of Adverse Facts Available" and Comment 5.
[174] *See* Dragon IQR at 17 and Exhibit 21.
[175] *See* Dragon IQR at 17.
[176] *See* Xingyu's July 14 SQR at Exhibit S3-4.
[177] *See Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 75 FR 57444 (September 21, 2010), and accompanying Issues and Decision Memorandum at "B. Export Loans from the Export-Import Bank of China."
[178] *Id*.
[179] *Id*.

On this basis, we determine the net countervailable subsidy rate to be 10.54 percent *ad valorem* for Dragon Group and 0.28 percent *ad valorem* for Xingyu.[180]

3. Export Seller's Credits

Xingyu reported that three cross-owned respondents carried outstanding loans during the POI from EIBC.[181] The GOC identified Sanfangxiang Group, Xingyu New Material, and Xingye Plastic as recipients of loans under the Export Seller's Credits program.[182] Based on the GOC's identification of use of this program by these three Xingyu respondents, we classified these loans as Export Seller's Credits for the Preliminary Determination. At verification, we found no discrepancies from what Xingyu and the GOC initially reported.[183] Thus, we continue to classify these loans as Export Seller's Credits for this final determination.

Consistent with *Citric Acid from the PRC*, we find that the loans provided by the GOC under this program constitute a financial contribution under sections 771(5)(B)(i) and 771(5)(D)(i) of the Act.[184] The loans also provide a benefit under section 771(5)(E)(ii) of the Act in the amount of the difference between the interest the recipient paid and what it would have paid on comparable commercial loans. Finally, the receipt of loans under this program is tied to actual or anticipated exportation or export earnings and, therefore, this program is specific pursuant to sections 771(5A)(B) of the Act.[185]

To calculate the benefit under this program, we compared the amount of interest paid against the export loans to the amount of interest that would have been paid on a comparable commercial loan. As our benchmark, we used the short-term interest rates discussed above in the "Benchmarks and Discount Rates" section. To calculate the net countervailable subsidy rate for Xingyu, we divided the benefits by the appropriate total export sales denominator (exclusive of inter-company sales), as described in the "Subsidies Valuation" section, above. As neither the GOC nor Dragon Group report Dragon Group's use of this program, no subsidy rate is calculated for Dragon for this program.

On this basis, we determine the net countervailable subsidy rate to be 0.49 percent *ad valorem* for Xingyu.[186]

4. Import Tariff and Value-Added Tax (VAT) Exemptions on Imported Equipment in Encouraged Industries

Circular 37 exempts foreign invested enterprises (FIEs) and certain domestic enterprises from VAT and tariffs on imported equipment used in their production so long as the equipment does

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[180] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo. *See also* "Application of Adverse Facts Available."
[181] *See* Sanfangxiang Group June 15 IQR at Exhibit 8, Xingyu New Material June 15 IQR at Exhibit 11, and Xingye Plastic June 15 IQR at Exhibit 10.
[182] *See* GOC IQR at 30.
[183] *See* Xingyu VR at 8-10.
[184] *See* Citric Acid IDM at 13.
[185] *Id*.
[186] *See* Xingyu Final Calculation Memo.

not fall into prescribed lists of non-eligible items, in order to encourage foreign investment and to introduce foreign advanced technology equipment and industry technology upgrades.[187] As of January 1, 2009, the GOC discontinued VAT exemptions under this program, but companies can still receive import duty exemptions. Dragon Group and Xingyu reported receiving VAT and tariff exemptions under this program as FIEs. The Department has previously found VAT and tariff exemptions under this program to confer countervailable subsidies.[188]

Consistent with *Wood Flooring from the PRC*, we continue to determine that VAT and tariff exemptions on imported equipment confer a countervailable subsidy. The exemptions are a financial contribution in the form of revenue foregone by the GOC and they provide a benefit to the recipient in the amount of VAT and tariff savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). We also determine that the VAT and tariff exemptions afforded by the program are specific under section 771(5A)(D)(i) of the Act because the program is limited to certain enterprises, *i.e.*, FIEs and domestic enterprises involved in "encouraged" projects.

Since this indirect tax is provided for, or tied to, the capital structure or capital assets of a firm, as reported by the respondents, the Department treated this tax as a non-recurring benefit and allocated the amount of the VAT and/or tariff exemptions, as applicable in the given year, over the AUL. To calculate the countervailable subsidy, we used our standard methodology for non-recurring grants. In the years that the benefits received by each company under this program did not exceed 0.5 percent of relevant sales for that year, we expensed those benefits in the years that they were received, pursuant to 19 CFR 351.524(b)(2). We used the discount rates described above in the section "Subsidies Valuation Information," to calculate the amount of the benefit allocable to the POI. We then divided the benefit amount by the appropriate sales denominator (exclusive of inter-company sales), as described in the "Subsidies Valuation" section, above.

On this basis, we determine a countervailable subsidy rate of 10.25 percent *ad valorem* for Dragon Group and 0.05 percent *ad valorem* for Xingyu under this program.[189]

5. **Provision of Inputs for LTAR**

a. Provision of MEG and PTA for LTAR

The Department examined whether Dragon Group or Xingyu purchased MEG and PTA, predominant inputs for PET resin, at LTAR. We requested information from the GOC regarding the specific companies that produced these input products that Dragon Group and Xingyu purchased during the POI. Specifically, we sought information from the GOC that would allow us to determine whether the producers are "authorities" within the meaning of section 771(5)(B) of the Act. The GOC provided information indicating several producers of MEG and PTA are SOEs.[190] We understand the GOC's classification of certain companies as SOEs to mean that

[187] *See* GOC IQR at 51.
[188] *See Multilayered Wood Flooring From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 64313 (October 18, 2011) (*Wood Flooring from the PRC*), and accompanying Issues and Decision Memorandum.
[189] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo.
[190] *See* GOC IQR at Exhibit 34, 35, 44, and 45.

those companies are majority-owned by the government. As explained in the Public Body Memorandum, majority state-owned enterprises in the PRC possess, exercise, or are vested with governmental authority.[191] The GOC exercises meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector. Therefore, we determine that these entities constitute "authorities" within the meaning of section 771(5)(B) of the Act and that the respondents received a financial contribution from them in the form of a provision of a good, pursuant to section 771(5)(D)(iii) of the Act.[192]

As described above in the "Use of Facts Otherwise Available and Adverse Inferences" section, for the remaining producers, the GOC failed to cooperate to the best of its ability in responding to our requests for information. Therefore, we determine as AFA that the remaining producers of MEG and PTA purchased by both respondents are "authorities" within the meaning of section 771(5)(B) of the Act and, as such, that the provision of MEG and PTA constitutes a financial contribution under section 771(5)(D)(iii) of the Act. As described above, in the "Use of Facts Otherwise Available and Adverse Inferences" section of this memorandum, for purchases where respondents reported "unknown" for the producer information, we are calculating a benefit on the basis of the ratio of government-ownership in MEG and PTA producers, as reported by the GOC. The GOC commented on this determination, as addressed below at Comment 9.

As explained in the "Use of Facts Otherwise Available and Adverse Inferences" section of this memorandum above, we determine that the GOC is providing MEG and PTA to a limited number of industries and enterprises, and, hence, that the subsidies under these programs are specific pursuant to section 771(5A)(D)(iii). We received no comments from parties on this issue.

As explained in the "Use of Facts Otherwise Available and Adverse Inferences" section of this memorandum above, we determine that the MEG market is significantly distorted by the government's presence, and, thus, an external benchmark is warranted for calculating the benefit for the provision of MEG for LTAR.

As discussed above under the "Benchmarks and Discount Rates" section, the Department determines it is appropriate to use actual import transaction prices as reported by respondents for PTA as benchmark prices, *i.e.*, "tier-one" prices, to calculate the benefit under this program. [193] We compared these monthly benchmark prices to the respondents' reported purchase prices for individual domestic transactions, including VAT and delivery charges. Because the benchmark prices exceeded the prices paid by the companies for domestically-sourced purchases of PTA, we determine that the GOC provided PTA for LTAR and that a benefit exists in accordance with 19 CFR 351.511(a). To calculate the net subsidy rate for Dragon Group and Xingyu, as described under 19 CFR 351.525(b)(3), for each year, we summed the benefits from all purchases of PTA

[191] *See* Memorandum from Ilissa Kabak Shefferman , International Trade Compliance Analyst to the File, "Placement of information onto the record" (August 7, 2015).
[192] *See Oil Country Tubular Goods from the People's Republic of China; Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 52301 (September 3, 2014), and accompanying Issues and Decision Memorandum at Comment 6.
[194] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo.

and we divided the yearly benefit by the company's relevant sales denominator in that year, . as discussed in the "Subsidies Valuation Information" section above, and in the Final Calculation Memoranda.

For the portion of Dragon Group's and Xingyu's MEG purchases that we determined constituted a financial contribution, we compared the monthly benchmark pries to the respective company's actual purchase prices for MEG, including taxes and delivery charges, as appropriate. Because the benchmark prices exceed prices paid by the companies for MEG, we find that the GOC's provision of MEG for LTAR provides a benefit, in accordance with 19 CFR 351.511(a). To calculate the net subsidy rate for Dragon Group and Xingyu for this domestic subsidy, as described under 19 CFR 351.525(b)(3), for each year, we summed the benefits from all purchases of MEG and we divided the yearly benefit by the company's sales in that year, as discussed in the "Subsidies Valuation Information" section above, and in the Final Calculation Memoranda..

On this basis, we determine a subsidy rate of 0.12 percent *ad valorem* for Dragon Group for MEG and 3.15 percent *ad valorem* for PTA. For Xingyu, we determine a subsidy rate of 2.10 percent *ad valorem* for MEG and 1.66 percent *ad valorem* for PTA.[194]

b. Provision of Electricity for LTAR

For the reasons explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we continue to base our determination regarding the GOC's provision of electricity for LTAR, in part, on AFA. Therefore, we determine that the GOC's provision of electricity confers a financial contribution as a provision of a good under section 771(5)(D)(iii) of the Act and is specific under section 771(5A)(D) of the Act.

To determine the existence and amount of any benefit under this program, we selected the highest non-seasonal provincial rates in the PRC for each electricity category (*e.g.*, "large industry," "general industry and commerce") and "base charge" (either maximum demand or transformer capacity) used by the respondent. Additionally, where applicable, we identified and applied the peak, normal, and valley rates within a category.[195]

Consistent with our approach in *Wind Towers from the PRC*, we first calculated the respondents' variable electricity costs by multiplying the monthly kWh consumed at each price category (*e.g.*, peak, normal, and valley, where appropriate) by the corresponding electricity rates paid by the respondent during each month of the POI.[196] Next, we calculated the benchmark variable electricity costs by multiplying the monthly kWh consumed at each price category by the highest electricity rate charged at each price category. To calculate the benefit for each month, we subtracted the variable electricity costs paid by the respondent during the POI from the monthly benchmark variable electricity costs.

[194] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo.
[195] Multiple Xingyu respondents reported sourcing electricity from other cross-owned respondents. To calculate electricity benefits for Xingyu, we utilized only those purchases of electricity made directly from the state-owned electricity company.
[196] *See* Wind Towers IDM at 21-22.

To measure whether Xingyu or Dragon Group received a benefit with regard to its base rate (*i.e.*, either maximum demand or transformer capacity charge), we first multiplied the monthly base rate charged to the companies by the corresponding consumption quantity. Next, we calculated the benchmark base rate cost by multiplying the company's consumption quantities by the highest maximum demand or transformer capacity rate. To calculate the benefit, we subtracted the maximum demand or transformer capacity costs paid by the company during the POI from the benchmark base rate costs. We then calculated the total benefit received during the POI under this program by summing the benefits stemming from the respondent's variable electricity payments and base rate payments.[197]

To calculate the net subsidy rates attributable to Xingyu and Dragon Group, we divided the benefit by total POI sales of respondent producers as described in the "Subsidies Valuation Information" section above. On this basis, we determine that Xingyu received a countervailable subsidy rate of 0.60 percent *ad valorem* and Dragon Group received a countervailable subsidy rate of 2.56 percent *ad valorem.*[198]

6. **Energy Savings Technology Reform**

Dragon Group reported that it received assistance in the form of grants from the Xiamen Municipal Bureau of Economic and Information Technology.[199] We determine that the assistance received by Dragon Group constitutes a financial contribution and a benefit under sections 771(5)(D)(i) of the Act and 19 CFR 351.504, respectively.

As discussed under "Use of Facts Otherwise Available and Adverse Inferences," above, the Department is relying on AFA to determine that the grant program is specific because the GOC failed to provide information, which was requested of it on two occasions, regarding the details of the government assistance. We received no comments from parties on this issue.

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the "0.5 percent test" of 19 CFR 351.524(b) to these grants, individually, to determine whether it should be allocated, using total sales as the denominator. The grants received during the POI did not pass the 0.5 percent test and, therefore, the grants were attributed to the POI. We calculated the subsidy from each grant separately by dividing the entire amount of the grant by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above, and in the Final Calculation Memoranda. We then summed the subsidy rates to arrive at Dragon Group's subsidy rate.

On this basis, we determine a countervailable subsidy rate of 0.05 percent *ad valorem* for Dragon Group.[200]

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[197] For more information on the respondent's electricity usage categories and the benchmark rates we have used in the benefit calculations, *see* Electricity Benchmark Memo. For the calculations, *see* Xingyu Final Calculation Memo and Dragon Final Calculation Memo.
[198] *See* Xingyu Final Calculation Memo and Dragon Final Calculation Memo.
[199] *See* Dragon IQR at 7 and GOC IQR at 5.
[200] *See* Dragon Final Calculation Memo.

7. VAT Refunds for FIEs Purchasing Domestically-Produced Equipment

Under this program, the GOC refunds VAT paid by FIEs for the purchase of domestically produced equipment provided that the equipment does not fall into the non-duty-exemptible catalogue and the value of the equipment does not exceed the total investment limit of an FIE, as provided under the Trial Administrative Measures on Purchase of Domestically Produced Equipment by FIEs (GOUSHUIFA (1999) No. 171).[201] According to the GOC, the program is designed to promote the development of FIEs in the PRC.[202] Dragon Group and Xingyu reported receiving VAT exemptions under this program.[203]

We determine that this program constitutes a financial contribution in the form of revenue forgone within the meaning of section 771(5)(D)(i) of the Act and confers a benefit under section 771(5)(E) of the Act and pursuant to 19 CFR 351.510(a)(1). We further determine that the exemption/reduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.*, "productive" FIEs, and, hence, is specific under section 771(5A)(D)(i) of the Act. Our approach in this regard is consistent with the Department's practice.[204]

Normally, we treat exemptions from VAT as recurring benefits, consistent with 19 CFR 351.524(c)(1), and allocate these benefits only in the year that they were received. However, when a VAT exemption is provided for, or tied to, the capital structure or capital assets of a firm, the Department may treat it as a non-recurring benefit and allocate the benefit to the firm over the AUL. Since the VAT exemptions under this program are tied to production equipment, we find that they are tied to respondents' capital assets. Therefore, we are examining the import tariff exemptions that respondents received under the program during the AUL and through the end of the POI.

For Xingyu, to calculate the amount of VAT exempted under the program, we multiplied the value of the imported equipment by the VAT rate that would have been levied absent the program. For each year, we then divided the total grant amount by the corresponding total sales for the year in question. Next we performed the "0.5 percent test" on the sum of the VAT exemptions received in each year. Exemption amounts that did not exceed the 0.5 percent threshold were expensed fully in the year of receipt. For exemption amounts that exceeded the 0.5 percent threshold, we allocated the benefits over the 10-year AUL using the methodology described under 19 CFR 351.524(d)(1) of the Act.

We then divided the benefit, allocated to the POI, by total sales, as described in the "Attribution of Subsidies" section. In our *Preliminary Determination*, we determined that there was no measureable benefit provided by the GOC to Dragon Group and Xingyu. However, for the reasons explained in the "Use of Facts Otherwise Available and Adverse Inferences" section

[201] *See* GOC IQR at 63.
[202] *Id.*
[203] *See* Dragon IQR at page 22.
[204] *See*, *e.g.*, *Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 80 FR 34888 (June 18, 2015), and accompanying Issues and Decision Memorandum.

above, we are applying AFA to Dragon's purchases of domestically-purchased equipment for this final determination due to its failure to report certain VAT-exempted purchases.[205]

On this basis, we determine the countervailable subsidy rate to be 9.71 percent *ad valorem* for Dragon.[206] Xingyu's countervailable subsidy rate remains unchanged from the Preliminary Determination, at 0.00 percent *ad valorem*.

<u>"Other Subsidies" Reported in Initial Questionnaire Responses (IQRs)</u>

In its initial questionnaire responses, Xingyu self-reported receipt of over 100 "Other Subsidies" during the POI and AUL. Dragon Group also self-reported receipt of "Other Subsidies" during the AUL in its initial questionnaire response. The majority of these grants provided no measurable benefit and were expensed in the year of receipt.[207] The grants that provided measurable benefit during the AUL are discussed below.

For the reasons explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we are basing our determination regarding the GOC's provision of these "Other Subsidies," reported in IQRs, in part, on AFA. Therefore, as an adverse inference, we determine that the subsidies discussed below are specific under section 771(5A)(D) of the Act. Based on the information provided by the GOC as to the amount of the subsidy and year of receipt, we determine that there is a financial contribution in the form of a direct transfer of funds pursuant to section 771(5)(D)(i) of the Act. Based on the information provided by respondents, we also find that benefits were conferred under 19 CFR 351.504.

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the "0.5 percent test" of 19 CFR 351.524(b) to these grants, individually, to determine whether it should be allocated, using total sales as the denominator. The following grants received during the POI did not pass the 0.5 percent test and, therefore, the grants were allocated to the POI. We calculated the subsidy from each grant separately as described under each program below.[208]

Export Subsidies

8. **<u>2013 Annual Incentive Funds Stable Foreign Trade Policy</u>**

Xingyu reported receipt of funds under this non-recurring subsidy program.[209] To calculate a benefit, we divided the total amount of funds received by the appropriate export sales

[205] Xianglu PC's purchases did not provide a measureable benefit, and the Department was able to reconcile these purchases at verification.
[206] *See* Dragon Final Calculation Memo. *See also* "Application of Adverse Facts Available."
[207] Refer to Appendix 1 of the Xingyu Preliminary Analysis Memorandum.
[208] We initiated on New Subsidy Allegations (NSA) on July 15, 2015 and sent Xingyu, Dragon, and the GOC NSA questionnaires on July 21, 2015. In Xingyu's response to the NSA questionnaire, it reported use of certain programs that were previously included in the "other subsidies" section of the initial questionnaire response. The programs included in its response, were included in the preliminary determination, and at verification, we reviewed the completeness of Xingyu's response and confirmed the accuracy of its grant reporting. *See* Xingyu NSA and Xingyu Final Calculation Memo
[209] *See* June 15 IQR and July 16 SQR at Exhibit S2-18.

denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.02 percent *ad valorem* for Xingyu.[210]

9. **Jiangsu Province Export Premium Subsidy**[211]

Xingyu reported receipt of funds under this non-recurring subsidy program.[212] To qualify for this funding, entities are required to have purchased export credit insurance. To calculate a benefit, we divided the total amount of funds received by the appropriate export sales denominator, as discussed in the "Subsidies Valuation Information" section above, and in the Final Calculation Memorandum. On this basis, we determine a countervailable subsidy rate of 0.03 percent *ad valorem* for Xingyu.

10. **Import/Export Credit Insurance/2013 Foreign Trade Policy Award**

Xingyu reported receipt of funds under both of these program names.[213] To calculate a benefit, we divided the total amount of funds received by the appropriate export sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.02 percent *ad valorem* for Xingyu.[214]

Domestic Subsidies

11. **Transition Gold Support**

Xingyu reported receipt of funds under this non-recurring subsidy program.[215] To calculate a benefit, we divided the total amount of funds received by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.01 percent *ad valorem* for Xingyu.[216]

12. **Overseas Investment Discount (Jiangsu Province DOC)**

Xingyu reported receipt of funds under this non-recurring subsidy program. According to Sanfangxiang Group, the eligibility criteria for receiving benefits under this program are: legal incorporation within China, authorized by (an unnamed) relevant authority to conduct foreign investment activities, and no record of criminal activity. Entities applying for this funding must submit a timely application that details foreign investments.[217] To calculate a benefit, we divided the total amount of funds received by the appropriate total sales denominator, as discussed in the

[210] *See* Xingyu Final Calculation Memo.
[211] Grants received under this program were also reported as "Export Credit Insurance." *See* Xingyu NSA at 1 and Xingyu Final Calculation Memo.
[212] *See* June 15 IQR and July 16 SQR at Exhibits S2-20, S2-21b, and S2-26.
[213] *See* June 15 IQR and July 16 SQR at Exhibit S2-21.
[214] *See* Xingyu Final Calculation Memo.
[215] *See* June 15 IQR and July 16 SQR at Exhibit S2-15.
[216] *See* Xingyu Final Calculation Memo.
[217] *See* June 15 IQR and July 16 SQR at Exhibit S2-16.

"Subsidies Valuation Information" section above.[218] On this basis, we determine a countervailable subsidy rate of 0.06 percent *ad valorem* for Xingyu.

13. <u>Energy Saving</u>

Xingyu reported receipt of funds under this program.[219] To calculate a benefit, we divided the total amount of funds received by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.04 percent *ad valorem* for Xingyu.[220]

14. <u>Technology Reform Interest Subsidy</u>

Xingyu reported receipt of funds under this non-recurring subsidy program.[221] To calculate a benefit, we divided the total amount of funds received by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.02 percent *ad valorem* for Xingyu.[222]

15. <u>2012 and 2013 Refund of Land Use Tax</u>

Xingyu reported receipt of this tax refund.[223] Xingyu stated that it received this tax refund because the company's industry was categorized as "Supported" by the provincial government. To apply for this program, Xingyu stated that it was required to submit with its application the certificate of land right, audited financial statements, and a copy of the "paid-up land use tax note."[224] Xingyu further stated that the amount of tax assistance equaled the full amount of land use tax paid to the tax authorities. To calculate a benefit, we divided the total amount of tax refund received by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.01 percent *ad valorem* for Xingyu.[225]

16. <u>Income Tax Deduction for New High-Technology Enterprise (HNTE)</u>

Xingyu self-reported that it received HNTE status and, as such, the GOC grants the company an income tax rate preference of 10 percentage points. The Department previously determined that this program is *de jure* specific and, thus, found it countervailable.[226] Consistent with earlier cases, we determine that this program constitutes a countervailable subsidy.[227] The exemption/reduction is a financial contribution in the form of revenue foregone by the GOC

[218] *See* Xingyu Final Calculation Memo.
[219] *See* June 15 IQR and July 16 SQR at Exhibit S2-17.
[220] *See* Xingyu Final Calculation Memo.
[221] *See* June 15 IQR and July 16 SQR at Exhibit S2-25.
[222] *See* Xingyu Final Calculation Memo.
[223] *See* June 22 IQR and July 16 SQR at Exhibit S2-29.
[224] *See* July 16 SQR at Exhibit S2-29.
[225] *See* Xingyu Final Calculation Memo.
[226] *See* Solar Cells IDM at 16-17 and Comment 25.
[227] *Id.*

pursuant to section 771(5)(D)(ii) of the Act, and it provides a benefit to the recipient in the amount of the tax savings pursuant to 19 CFR 351.509(a)(1).[228]

To calculate the benefit, we compared the income tax rate that Xingyu would have paid in the absence of the program (25 percent) to the income tax rate that the companies actually paid (15 percent). We treated the income tax savings as a recurring benefit, consistent with 19 CFR 351.524(c)(1). To calculate the countervailable subsidy rate for each year, pursuant to 19 CFR 351.525(b)(6)(ii), we divided the benefit by the appropriate total sales denominator, as discussed in the "Subsidies Valuation Information" section above. On this basis, we determine a countervailable subsidy rate of 0.00 percent *ad valorem* for Xingyu.[229]

17. Project Subsidy from Haicang Bureau of Science and Technology

Dragon Group reported receipt of funds from the Haicang Bureau of Science and Technology for specific projects.[230] We determine that this grant confers a countervailable subsidy. The grants are financial contributions pursuant to section 771(5)(D)(i) of the Act and provide benefits in the amount of the grants provided, pursuant to 19 CFR 351.504(a).

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the "0.5 percent test" of 19 CFR 351.524(b) to these grants, individually, to determine whether it should be allocated, using total sales as the denominator. The grants received during the POI did not pass the 0.5 percent test and, therefore, the grants were attributed to the POI. We calculated the subsidy from each grant separately by dividing the entire amount of the grant by the appropriate sales denominator, as discussed in the "Subsidies Valuation Information" section above. We then summed the subsidy rates to arrive at Dragon Group's subsidy rate.

On this basis, we determine a countervailable subsidy rate of 0.01 percent *ad valorem* for Dragon Group.[231]

"Other Subsidies" Reported by Dragon Group

As discussed in the "Use of Facts Otherwise Available and Adverse Inferences" section above, late in the proceeding Dragon reported receipt of 84 additional subsidies during the POI and the AUL. The majority of these grants provided no measurable benefit and were expensed in the year of receipt.[232] The grants that provided measurable benefit during the AUL are discussed below.

For the reasons also explained in the "Use of Facts Otherwise Available and Adverse Inferences" section above, we are basing our determination regarding the GOC's provision of these other subsidies, in part, on AFA. Therefore, as an adverse inference, we determine that the GOC's provision of the subsidies discussed below confers a financial contribution, in the form of a

[228] *Id.*
[229] *See* Xingyu Final Calculation Memo.
[230] *See* Dragon IQR at Exhibit 46.
[231] *See* Dragon Final Calculation Memo
[232] *Id.*

direct transfer of funds pursuant to section 771(5)(D)(i) of the Act and is specific under section 771(5A)(D) of the Act. Based on the information provided by respondents, we also find that benefits were conferred under 19 CFR 351.504.

Pursuant to 19 CFR 351.524(c) the Department normally treats grants as non-recurring subsidies. As such, the Department applied the "0.5 percent test" of 19 CFR 351.524(b) to these grants, individually, to determine whether it should be allocated over the AUL, using total sales or total export sales for export contingent subsidies as the denominator. The following grants were allocated to the POI. We calculated the subsidy from each grant separately as described under each program below. We then summed the subsidy rates to arrive at Dragon Group's subsidy rate.[233]

The benefit rates are as follows:[234]

1. Other Subsidy: Bounty for Enterprise with production and sales growth: 0.02 percent *ad valorem*

2. Other Subsidy: 2013 Enterprise financing subsidy: 0.02 percent *ad valorem*

B. Programs Determined To Be Not Used

The Department determines that the following programs were not used during the POI:

18. International Market Exploration Fund (SME Fund)

19. City Construction Tax and Education Fees Exemptions for FIEs

20. Xiamen Municipality Support for Pivotal Manufacturing Industries

21. Xinghuo Development Zone Recycling Economic Construction Specialized Fund

22. Science & Technology Awards

23. Yangpu Economic Development Zone Preferential Tax Policies

24. Xinghuo Development Zone Industrial Structural Adjustment Fund

25. VAT Subsidies for FIEs

26. Provision of Land for LTAR to Enterprises in Xinghuo Development Zone, Fengxian District, Shanghai Municipality

[233] *See* Dragon Final Calculation Memo.

[234] Additional subsidies were reported by one cross-owned affiliate, and were included in the *Preliminary Determination*. At verification, we verified that the company was a non-producing input supplier. Therefore, we now determine that there was no benefit as the programs were not related to the input for subject merchandise. We address this issue below, at Comment 1, and above in "Attribution of Subsidies."

27. Provision of Land for LTAR to Enterprises in Yangpu Economic Development Zone, Hainan Province

28. Provision of Land for LTAR to Enterprises in Haicang Investment Zone, Xiamen, Fujian Province

29. Jiangsu Province, Jiangyin City Grants for Legal Fees in Trade Remedy Cases

C. Programs That did Not Confer a Benefit in the POI

30. <u>GOC and Sub-Central Government Subsidies for the Development of Famous Brands and China World Top Brands</u>

Xingyu reported receipt of three, non-recurring grants during the AUL under the "Famous Brands" program.[235] This program is administered at the central, provincial and municipal government levels. Qualifying companies receive grants, loans and other incentives to enhance export activity.

We determine that the grants received under the famous brands program constitute a financial contribution, in the form of a direct transfer of funds, and a benefit under sections 771(5)(D)(i) and 771(5)(E) of the Act, respectively, and 19 CFR 351.504(a). We find this program to be specific under sections 771(5A)(A) and (B) of the Act.[236]

To calculate the benefit from the grants, we first applied the "0.5 percent expense test", as described in the "Allocation Period" section above. Grant amounts that did not exceed the 0.5 percent threshold were expensed fully in the year of receipt. In calculating a benefit for these grants to Xingyu, we determine that they do not meet the 0.5 percent threshold for allocation over the AUL period, pursuant to 19 CFR 351.524(b)(2). Therefore, we determine that grants received by Xingyu under the "Famous Brands" program did not confer a benefit during the POI because the benefits were expensed in the year of receipt.[237]

31. <u>Income Tax Deductions for Research and Development Expenses under the Enterprise Income Tax Law</u>

Article 30.1 of the Enterprise Income Tax Law of the PRC created a new program regarding the deduction of research and development expenditures by companies, which allows enterprises to deduct, through tax deductions, research expenditures incurred in the development of new technologies, products, and processes. Article 95 of Regulation 512 provides that, if eligible research expenditures do not "form part of the intangible assets value," an additional 50 percent deduction from taxable income may be taken on top of the actual accrual amount. Where these expenditures form the value of certain intangible assets, the expenditures may be amortized based on 150 percent of the intangible assets costs. Xingyu reported use of this program during

[235] *See* June 15 IQR at page 9.
[236] *See* Wire Strand IDM at "Subsidies for Development of Famous Export Brands and China World Top Brands at Central and Sub-Central Level."
[237] *See* Xingyu Final Calculation Memo.

the POI. The Department previously found in *Wind Towers from the PRC* and *Solar Cells from the PRC* that this program provides a countervailable subsidy.[238]

The Department verified the specificity of this program in *Wind Towers from the PRC*.[239] This income tax deduction is a financial contribution in the form of revenue foregone by the government, and it provides a benefit to the recipients in the amount of the tax savings, pursuant to section 771(5)(D)(ii) of the Act and 19 CFR 351.509(a)(1). Consistent with our previous finding,[240] we also determine that the income tax deduction afforded by this program is limited as a matter of law to certain enterprises, *i.e.*, those with research and development in eligible high-technology sectors and, thus, is specific under section 771(5A)(D)(i) of the Act.

To calculate the benefit from this program to Xingyu, we treated the tax credits as recurring benefits, consistent with 19 CFR 351.524(c)(1). To compute the amount of the tax savings, we calculated the amount of tax the companies would have paid absent the tax deductions at the standard tax rate of 25 percent (*i.e.*, 25 percent of the tax credit). We then divided the tax savings by the appropriate total sales denominator (exclusive of inter-company sales), as described in the "Subsidies Valuation" section, above.

On this basis, we determine a countervailable subsidy rate of 0.00 percent *ad valorem* for Xingyu.[241]

D. Final AFA Rates Determined for Programs Used by Xingyu

As explained above, we rejected four grants that Xingyu presented at verification as minor corrections. Three of the four rejected grants were reported used by a non-producing input supplier. As explained in "Attribution of Subsidies" above, we are only attributing benefits received by non-producing input suppliers to Xingyu that directly relate to the input they supply. As such, we are attributing one rejected grant to Xingyu.[242] Listed below is the AFA rate applicable for the program.

Program	***Ad Valorem* Subsidy Rate (Percent)**
Rejected Grant[243]	0.06

E. Final AFA Rates Determined for Programs Used by Dragon Group

As explained above, we rejected one grant presented by Dragon Group at verification as a minor correction because it related to a program that was not previously reported. Listed below is the AFA rate applicable to this program. For additional description about this grant, *see* Dragon VR at 1-2.

[238] *See* Wind Towers IDM at 18-19 and Comment 17; *see also* Solar Cells IDM at 17 and Comment 25.
[239] *See* Wind Towers IDM at 18-19.
[240] *Id.*
[241] *See* Xingyu Final Calculation Memo.
[242] *See* Comment 2. Three additional grants were presented at verification as minor corrections that the Department rejected, however, grant programs for the respective company were not attributed to Xingyu as the cross-owned affiliate was not a producer of the subject merchandise or a producer of the input.
[243] Overseas Investment Discount Grant

Program	*Ad Valorem* Subsidy Rate (Percent)
Rejected Grant	0.58

X. CALCULATION OF THE ALL-OTHERS RATE

Sections 705(c)(5)(A) of the Act state that for companies not investigated, we will determine an all-others rate by weighting the individual company subsidy rate of each of the companies investigated by each company's exports of subject merchandise to the United States excluding rates that are zero or *de minimis* or any rates determined entirely on the facts available. Notwithstanding the language of section 705(c)(5)(A)(i) of the Act, we have not calculated the "all-others" rate by weight-averaging the rates of the two individually investigated respondents, because doing so risks disclosure of proprietary information. Therefore, for the "all-others" rate, we calculated a simple average of the two responding companies' rates.

XI. ANALYSIS OF COMMENTS

Comment 1: Whether to Disregard Certain Affiliates That Do Not Produce the Input They Supply

Dragon Group and Xingyu assert the following:

- Citing to 19 CFR 351.525(6) and 19 CFR 351.525(6)(iv), Dragon and Xingyu assert that the Department should not attribute countervailable programs to non-producing, cross-owned suppliers of inputs to subject merchandise.

- The Department's regulations indicate that subsidies will only be attributed when the input supplier has produced the inputs supplied. As such, the Department should only attribute countervailable subsidies to the five cross-owned producers of subject merchandise: Xingye Plastic, Xingjia, Xingtai, Xingye Poly, and Xingyu; SFX Group (parent company of Xingyu and other cross-owned producers of subject merchandise); and Hailun Petrochemicals (producer of PTA supplied to Xingyu and other cross-owned producers of the subject merchandise).[244]

- In the *Preliminary Determination*, program benefits received by input suppliers that did not produce the subject merchandise were attributed to producers and exporters. This should not be continued for the Final Determination.[245]

[244] *See* Xingyu's May 12, 2015 Initial Affiliation Questionnaire Response (Xingyu May 12 AQR) at 4.
[245] *See* Memorandum from Ilissa Kabak Shefferman, International Trade Compliance Analyst, AD/CVD, Operations, Office VI, to Angelica Townshend, Program Manager, AD/CVD Operations, Office VI, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Preliminary Determination Calculations for Jiangyin Xingyu New Material Co., Ltd.," dated August 7, 2015 (Xingyu Preliminary Calculation Memo) at 4.

- Dragon Group requests that the Department exclude non-producing input suppliers from the countervailing duty calculation, and only calculate benefits received by Dragon, producer of subject merchandise, and Xianglu PC and Xianglu PC ZZ, producers of PTA.[246]

- Xingyu asserts that to avoid double-counting purchases of PTA, MEG, and electricity, the companies did not report the producer name and address of transactions originating from cross-owned suppliers who are non-producers of the inputs.[247]

- Xingyu proposes that if input suppliers are not collapsed, the Department should use either evidence on the record or facts available to attribute PTA, MEG and electricity benefits received by the input suppliers to Xingyu, but should not attribute benefits arising out of loan programs and grants if the companies are not collapsed.

Petitioners rebut, as follows:

- Citing *Washers from Korea*, the Department should reject respondents' request to dismiss non-producing input suppliers. Petitioners argue that attribution to non-producing input suppliers is analogous with the attribution to a parent or holding company.[248]

- Petitioners contend that pursuant to 19 CFR 351.525(b)(6)(vi), the Department should continue to find Xingyu's input suppliers cross-owned, and provide inputs primarily dedicated to the production of subject merchandise.[249]

- Dragon Group's input suppliers also meet the same regulatory criteria, and thus the Department should continue to attribute countervailable benefits to Dragon.

Department's Position:

We disagree with Petitioners' attribution arguments with respect to this issue, in part. Petitioners suggest that the Department should not dismiss non-producing input suppliers from attribution of reported subsidies. Dragon Group and Xingyu reported that certain of their affiliated companies supplied inputs to the respective companies during the POI. Because these affiliated companies were not the producers of the inputs,[250] we are attributing, pursuant to 19 CFR 351.525(b)(6)(v), only those subsidies received by these companies that were transferred to Dragon Group and

[246] *See* Dragon's May 12, 2015 Initial Affiliation Questionnaire Response (Dragon May 12 AQR) at Exhibit 1.
[247] *See* Xingyu's June 15, 2015 Initial Questionnaire Response (Xingyu IQR) at 15.
[248] *See Large Residential Washers From the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012) *(Washers from Korea)*, and accompanying IDM at 3; *see also*, *e.g.*, *Certain Steel Products from Belgium*, 58 FR 37273, 37282 (July 9, 1993).
[249] *See* Xingyu's Preliminary Calculation Memo at 2 and 4.
[250] *See* Xingyu IQR at 4.

Xingyu, respectively. Our approach in this regard is consistent with the Department's final determination in *Aluminum Extrusions from the PRC; 2010 and 2011 Administrative Review*.[251]

We disagree with Petitioners that *Large Residential Washers from Korea*[252] is applicable here. In the Korean case, the issue centered on a lump sum grant that the producer of subject merchandise received. The Korean respondent argued that the Department should reduce the amount of the grant included in the numerator in order to account for the fact that it purportedly transferred a portion of the grant to affiliated parties that were not subject to the Department's subsidy analysis. In rejecting the respondent's argument, the Department noted that respondent's claims regarding the transfer of the grant were based on untimely filed information. The Department also noted that it does not generally trace the actual use of funds once they are received by a company.

The situation in the instant investigation is different. Here, the Department is examining cross-owned affiliates that received inputs for LTAR from government authorities but which do not otherwise meet the necessary criteria for them to submit questionnaire responses (*e.g.*, while the cross-owned companies supplied inputs to Dragon Group and Xingyu during the POI, the companies were not producers of subject merchandise, parent companies, or producers of primary inputs, which they supplied to Dragon Group and Xingyu during the POI). Therefore, we find the only regulation that applied to these cross-owned firms is 19 CFR 351.525(b)(6)(v), which states that in situations where the circumstances described in 19 CFR 351.525(b)(6)(i)-(iv) do not apply, "if a corporation producing non-subject merchandise received a subsidy and transferred the subsidy to a corporation with cross-ownership, the Secretary will attribute the subsidies to products sold by the recipient of the transferred subsidy."[253]

As such, we will attribute all countervailable benefits received by Hailun Petrochemicals, Xingyu New Material, Xingtai, Xingjia, Sanfangxiang Group,[254]Xingye Poly, Xingye Plastic to Xingyu. Further, we will attribute benefits received by non-producing input suppliers from the programs included in the "Provision of Inputs for LTAR," as reported by Xingyu and confirmed at verification, to Xingyu.[255] For Dragon Group, we will attribute all countervailable benefits received by Dragon, Xianglu PC, Xianglu PC ZZ, and DAC to Dragon's *ad valorem* rate, and attribute benefits received by Xianglu CF under the input for LTAR programs to Dragon's *ad valorem* rate.[256]

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[251] *See Aluminum Extrusions from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2010 and 2011*, 79 FR 106 (January 2, 2014) (*Aluminum Extrusions from the PRC; 2010 and 2011 Administrative Review*), and accompanying IDM at Comment 15.
[252] *See Large Residential Washers from Korea*, and accompanying IDM at 3.
[253] *Id.*
[254] *See* 19 CFR 351.525(b)(6)(iii).
[255] *See* Xingyu AQR at Exhibit 1; *see also* Xingyu Final Determination Calculation Memo.
[256] *See* Dragon Final Calculation Memorandum and Xingyu Final Calculation Memorandum.

Comment 2: Treatment of Grants that the Department Rejected at Verification

Dragon Group and Xingyu assert the following:

- At verification, the Department did not accept four grants Xingyu presented as minor corrections because the Department stated that the programs were not previously reported. Xingyu argues that that the Department unreasonably rejected the information, although additional documentation was provided at verification that demonstrated the corrections were accurate and minor.[257]

- Dragon Group states that the Department unfairly rejected one of three grants presented as minor corrections at verification.

- Xingyu explains that the Department should not have rejected Bolun's four grants presented as minor corrections, as they appear to be identical to previously reported grants submitted by other Xingyu Group companies.

- Dragon Group asserts that the rejected grant was excluded due to a typographical error and is only slightly over *de minimis*. Thus, not reporting the grant in question could be considered a ministerial error.

- Xingyu asserts that the grants to SFX Group are similar to other previously submitted educational grants reported by the company as "other subsidies."[258]

- The grants presented by SFX Group and Dragon Group that were later rejected, met the criteria that the Department previously set forth in the verification outline to constitute a minor correction, as established by the U.S. Court of International Trade (CIT) pursuant to section 782(e) of the Act, in *Maui Pineapple*.[259]

- Citing *Maui Pineapple* and *American Brake*, Xingyu argues that the Department often concludes that errors in the submission do not affect the integrity of the response, and Xingyu's data was easily verifiable.[260]

- The CIT's decision in *American Brake* determines that if a party has acted to the best of its ability, failure to submit an error-free response should not "justify authorities from disregarding it." Xingyu and Dragon assert that the Department still analyzes the effect of the minor corrections on the overall rate. Each company states that the grants would

[257] *See* Xingyu VR at 2-3 and Exhibit VE-1.
[258] *See* SFX Group's Initial Questionnaire Response (SFX Group IQR), dated June 15, 2015 at 25-30 and Exhibit 18.
[259] *See* Xingyu VR at 2-3 and Dragon VRat 14-15; *see also Maui Pineapple vs. United States*, 264 F. Supp. 2d 1244, 1257 (*Maui Pineapple*).
[260] *See*, *e.g.*, *Coalition for the Preservation of American Brake Drum & Rotor Aftermarket Mfrs. V. United States*, 44 F. Supp. 2d 229 (CIT 1999) (*American Brake); see also Maui Pineapple*, 264 F. Supp. 2d 1244 at 1257; *see also* Xingyu VR at 11-13.

have a minimal effect on the overall CVD rate and would be expensed prior to the POI, while also accounting for a low number of the total countervailable grants.[261]

- Citing the Department's practice in *PVLT Tires from China*, Xingyu requests that if the Department deems it is too late to retrieve the rejected grants for its final CVD calculation, then the Department should substitute an average of Xingyus similar grants for the missing information to perform the calculation. Dragon Group makes an identical cite and requests that the Department to substitute an average of Dragon Group's or Xingyu's grants that are identical or most similar to the rejected grants, if the Department does not retrieve the missing information.[262]

- Both companies argue that penalizing respondents through application of AFA for reporting unintentionally omitted grants is not appropriate as set forth by the Department in *Solar Products from China*, and thus, the Department should use Xingyu's and Dragon Group's own data for calculation of the rate.[263]

- Xingyu and Dragon Group contend that the Department has previously accepted new grant programs at verification and parties did not comment on such grants, indicating that the Department routinely accepts new grants as minor corrections.[264]

- Citing the Department's decision to accept grants during verification in *Shrimp from China*, Xingyu and Dragon contend that the minor correction phase is a request for information on new grant programs found while respondents are preparing for verification. The Department's refusal to accept the new grants presented is contrary to past practice.[265]

- Citing sections 776(a) and 782(a)(1)-(2) of the Act and the CAFC's decision in *Nippon Steel Corp.*, Xingyu and Dragon argue that there is no cause to apply adverse facts or total facts available to Xingyu Group's and Dragon's complete response. Both companies assert that they acted to the best of their ability, and the Department successfully verified certain data from both companies, excepting Xingyu's four grants and programs the Department misapprehended relating to Dragon.[266]

[261] *See American Brake*, 44 F. Supp. 2d 1244 at 236.
[262] *See Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 80 FR 34888 (June 18, 2015) (*PVLT Tires from China*), and accompanying IDM (PVLT Tires IDM) at 19-20, 35 & 37-38.
[263] *See 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 Products from China*), and accompanying IDM (Solar Products IDM) at 10-11 & 16.
[264] *See* PVLT Tires IDM at 19-20, 35 & 37-38; *see, e.g.*, *Drawn Stainless Steel Sinks From the People's Republic of China: Affirmative Countervailing Duty Determination*, 78 FR 13017 (February 26, 2013*; see also, e.g.*, *Large Residential Washers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012) (*Washers from Korea*).
[265] *See, e.g.*, *Certain Frozen Warmwater Shrimp from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 50391 (August 19, 2013) (*Shrimp from China*), and accompanying IDM (Shrimp IDM) at 57.
[266] *See Nippon Steel Corp. v. United States*, 337 F.3d 1373, 1383 (Fed. Circ. 2003) (*Nippon Steel Corp.).*

- Xingyu contends that the CIT's decision in *Goldlink* with regard to applying FA "induces" respondents to provide accurate, timely, and complete information. The Department must provide additional information to apply AFA and not make excessively punitive decisions.[267]

- Xingyu requests that if the Department chooses to apply FA, they should apply neutral facts available, which has been upheld under similar circumstances in the CIT.[268]

- Dragon Group asserts that the rejection of new information without any regard to the magnitude of the information is unreasonable and does not take into account the completeness of Dragon's response. The Department carved out categories of unacceptable new information, while accepting other types of new information.

- Dragon Group proposes that the Department use a similar grant that Xingyu previously reported to calculate a benefit for Xianglu PC ZZ's rejected grant.

The GOC asserts the following:

- The value of the unreported grants presented by each company at verification was small in comparison to the total number of grants previously reported. While the Department tries to calculate subsidies as accurately as possible, perfection should not be required of the Department or the respondents, who must provide "reams of data" in the investigation.

- Neither Petitioners nor the Department alleged that the grants reported as "other subsidies" existed and/or were received by respondents. Citing Article 11.2 of the WTO Agreement on Subsidies and Countervailing Measures, the GOC contends that the grants should not be included in the subsidy rate.

- As the Department's verifiers are not "full-time/professional auditors" and participate in multiple verifications each year, small reporting errors may not be found during verification.

- If the Department were to apply an AFA rate, companies will have no reason to present unreported grants in the future, considering that there is a chance the Department would not discover the programs over the course of verification.

Petitioners assert the following:

- Xianglu PC ZZ presented an infrastructure grant that was previously undisclosed and which the Department did not accept as a minor correction.

- Consistent with amendments under the Trade Preferences Extension Act of 2015, the

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[267] *See Goldlink Indus. Co. v. United States*, 41 F. Supp. 2d 1323, 1329 (CIT 2009) (*Goldlink*).
[268] *See*, *e.g.*, *Ad Hoc Shrimp Trade Action Comm. V. United States* 675 F. Supp. 2d 1287, 1304-1305 (CIT 2009).

Department should use the highest rate applied to a grant program in a CVD PRC proceeding, 0.58 percent.

Dragon rebuts, as follows:

- The reported grant was merely one of 99 reported grants, and there is no evidence that Dragon did not use best efforts in reporting grants. This error was due to Dragon's clerical error in an Excel formula.

- It is the Department's practice to accept such grants as minor correction.

- The average value or rate of such {loans} comes nowhere close to the punitive rate proposed by Petitioners.

Petitioners rebut, as follows:

- Citing section 776(a)(b) of the Act, Petitioners argue that the Department should apply adverse facts available with respect to the unreported grants at a rate of 0.58 percent *ad valorem* for each grant.[269]

- Petitioners contend that the grants were not "corrections to the record" as Dragon and Xingyu state because the grants were not previously on the record. Both companies submitted new information with voluminous supporting data.[270]

- Consistent with *Reiner Brach* and the Department's practice, the Department stated that it will not accept new factual information at verification. The CIT found that it is the Department's discretion to reject new factual information that is not timely.[271]

- Respondents submitted "other" grants received in the Department's questionnaire, demonstrating the companies understood the Department's request for information. It was not possible for the Department to discern the comprehensive state of the responses submitted prior to verification.[272]

- Petitioners contends that while respondents extensively cite *Maui Pineapple* to establish precedent for the Department to accept new information at verification, the CIT decision varies in that the Department stated it would accept new information only under certain circumstances and on a "case by case basis." No such exception was made in the current case, thus the Department should continue to exercise discretion in rejecting the new factual information.[273]

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[269] *See* Cold-Rolled Steel Prelim at 23.
[270] *See* Dragon Case Brief at 11 and Xingyu Case Brief at 12.
[271] *See*, *e.g.*, *Reiner Brach GmbH & Co. KG v. United States*, 206 F. Supp. 2d 1323, 1334 (CIT 2002); *see also*, *e.g.*, *Micron Tech., Inc. v. United States*, 117 F.3d 1386, 1395 (Fed. Cir. 1997) (*Reiner Brach*).
[272] *See* Dragon Case Brief at 13 and Xingyu Case Brief at 13.
[273] *See Maui Pineapple* 264 F. Supp. 2d 1244 at 1257.

- The Department must disregard respondent claims as to the size, scope, or significance of the unreported grant programs as there is no record of evidence on the record to support these claims. The Department rejected such grant information at verification.[274]

- Petitioners contend that although respondents cite numerous cases where the Department accepted previously unreported grants, this is not contrary to the Department's practice as the Department has stated it exercises discretion on a case-by-case basis.[275]

- Citing *Photovoltaic Cells from China* and *Supercalendered Paper from Canada*, Petitioners argue that the Department should not accept the grants presented at verification and only recognize the existence of the grants while applying an AFA rate.[276]

- Citing section 776(a)(2) of the Act and the CIT's decision in *American Brake*, Petitioners argue that the Department should apply AFA to the five grants previously unreported as there is no information on the record to verify the grants.[277]

- Consistent with the CIT's decision in *Shandong Huarong General Group Corp.*, Petitioners contend that Dragon's and Xingyu's presentation of unreported grants at verification does not prove the companies acted to the best of their abilities.[278]

- Petitioners argue that the Department has not verified program information that would allow the calculation of a benefit if the respondent failed to provide the information prior to verification. The unreported grant amounts were "clearly booked" in the accounting systems, therefore, the Department should apply AFA, consistent with past practice, at a rate of 0.58 percent *ad valorem* for each grant.[279]

Department's Position:

As explained above in the section "Use of Facts Otherwise Available and Adverse Inferences," we find that Dragon Group and Xingyu offered new factual information as minor corrections at verification in the form of assistance from previously unreported programs. While respondents cite to various cases in support of their argument that the Department should have accepted certain information as minor corrections, such decisions by the Department are made on case-by-case basis. Here, based on the facts on the record, we find that by not divulging the receipt of this unreported assistance prior to verification in their initial questionnaire response

[274] *See* Dragon Case Brief at 11-15 and Xingyu Case Brief at 12-18.
[275] *See Issues and decision Memorandum for the Final Results of the Countervailing Duty Administrative Review: Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China* (July 7, 2015) (Photovoltaic Cells Review IDM), at 58; *see also Maui Pineapple*, 264 F. Supp. 2d 1244 at 1257.
[276] *See*, *e.g.*, Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Supercalendered Paper from Canada, 80 FR 63535 (October 13, 2015) (Supercalendered Paper IDM).
[277] *See American Brake*, 264 F. Supp. 2d 1244 at 237.
[278] *See Shandong Huarong General Group Corp. v. United States*, Slip Op. 2003-135, 27 CIT 1568, 1585 (CIT 2003) (*Shandong Huarong General Group Corp.*).
[279] *See*, *e.g.*, Supercalendered Paper IDM at 153-154; *see also Nan Ya Plastics Corp.* No.2015-1054, 23-24 (Fed. Cir. 2016).

and subsequent "other subsidies" response, Dragon Group and Xingyu precluded the Department from an adequate examination of the grants *(e.g.*, the Department was unable to issue a supplemental questionnaire to the GOC concerning the extent to which these programs constitute a financial contribution or are specific under sections 771(5)(D) and 771(5A) of the Act). Further, these grant programs are booked in accounts such as subsidy income ledgers, non-operational income ledger, and Construction-in-Progress account which the respondents should have examined prior to verification.[280] Consistent with *Supercalendered Paper Canada* and *Shrimp from PRC*, as AFA, we find each of the unreported grants meet the financial contribution and specificity criteria under these two provisions of the statute. Further, as AFA, we find that each of the three grant programs confers a benefit under section 771(5)(E) of the Act.

Section 775 of the Act states that if, during a proceeding, the Department discovers "a practice that appears to provide a countervailable subsidy, but was not included in the matters alleged in a countervailing duty petition," the Department "shall include the practice, subsidy, or subsidy program if the practice, subsidy or subsidy program appears to be a countervailable subsidy with respect to the merchandise which is the subject of the proceeding." Under 19 CFR 351.311(b), the Department will examine the practice, subsidy or subsidy program if the Department "concludes that sufficient time remains before the scheduled date for the final determination or final results of the review."

As explained above in "Grants Rejected at Verification," the Department reviewed the financial statements of Dragon Group and Xingyu and identified grants and funding from provincial and local governments which were not part of any of the other programs included in this investigation. Thus, the Department determined that it was necessary to issue supplemental questionnaires to Dragon Group, Xingyu, and the GOC regarding the information contained in the financial statements. Dragon Group, Xingyu, and the GOC provided information regarding the programs in supplemental responses to these questions. Therefore, in light of the information contained in the financial statements and based on the guidelines established under section 775 of the Act and 19 CFR 351.311(b), the Department acted well within its authority to examine the programs within this proceeding and seek additional information from Dragon Group, Xingyu, and the GOC. This approach is consistent with the Department's practice.[281]

Further, as stated in 19 CFR 351.311(d), the Department will notify the parties of the proceeding of any subsidy discovered in any ongoing proceeding, and whether or not it will be included in the ongoing proceeding. Dragon Group, Xingyu, and the GOC were notified of the discovery of these programs, and their inclusion in the proceeding based on the issuance of the verification reports. Such notice is evident in the fact that parties commented on the issues surrounding these programs for the final results.

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[280] *See* Xingyu VR at 2-3; Dragon Group VR at2.
[281] The Department addressed these same arguments within the context of nearly identical fact patterns before. *See Steel Wheels from the PRC*, and accompanying Issues and Decision Memorandum at Comment 5; *Solar Cells from the PRC*, and accompanying Issues and Decision Memorandum at 23; and Multilayered Wood Flooring from the People's Republic of China; Final Affirmative Countervailing Duty Determination, 76 FR 64313 (October 18, 2011), and accompanying Issues and Decision Memorandum at Comment 3.

Comment 4: Whether to Adjust for Certain Ministerial Errors Made in the Preliminary Determination

Xingyu asserts the following:

- Xingyu argues that if the Department continues to include non-producing input suppliers in its calculation, ministerial errors in the Xingyu Group's POI Sales Chart must be corrected from the *Preliminary Determination*.[282]

- The Department should adjust certain calculations with regard to the PTA benchmark to correct errors made in when inputting sales denominators related to specific purchases.[283]

- The Department should adjust their formula used to calculate SFX Trading's benefit of MEG for LTAR to correct for VAT inclusion misrepresented by the Department.[284]

We received no comments from Petitioners on this issue.

Department's Position:

We agree with Xingyu's argument concerning the sales chart errors and will make appropriate corrections for this final determination. The Department also incorrectly calculated the purchase price for a single PTA purchase with regard to constructing the PTA benchmark. Further, the Department inadvertently used the VAT rate of 17 percent rather than the actual VAT value when calculating the benefit received by SFX Trading with regard to the purchase of MEG for LTAR. These ministerial errors have been corrected for the final determination.[285]

Comment 5: Whether The Department Should Apply AFA to Dragon's Loans

Petitioners assert the following:

- The Department must disregard unverifiable data for certain unreported loans that the Department did not accept as minor corrections at verification and apply AFA.

- The scope of Dragon Group's reporting errors for loans calls into question the reliability of any reported loan data.

- The Department verified that Dragon Group failed to report any quarterly interest rate adjustments made to all variable rate loans held by the Dragon companies.

- Xingyu should not be considered a cooperating respondent and its rates should not be used as AFA for Dragon Group's loan program rate. Using Xingyu's rates would reward

[282] *See* Xingyu Preliminary Calculation at "POI Sales."
[283] *Id.*, at "PTA W-A Benchmark Calc."
[284] *See* Xingyu Preliminary Calculation Memorandum at "MEG FA Unknown Benefit Calcs."
[285] *See* Xingyu Final Determination Calculation Memo and Attachment 1.

Dragon for its provision of inaccurate information and lack of compliance with the Department's requests.

- As AFA, the Department should apply a subsidy rate of 10.54 percent *ad valorem* for policy loans and 1.10 percent *ad valorem* for preferential export financing.

Dragon and Xingyu assert the following:

- Following the *Preliminary Determination*, Dragon Group made efforts to correct reported loans but the Department did not respond to Dragon Group's request to formally issue a questionnaire for the company to correct their misreported loans.[286]

- Parties should be lauded and encouraged to bring errors to the Department's attention. The Department merely spot checks data so it cannot maintain that there was no time to accept new loan spreadsheets.

- Preliminary margin estimates cannot be considered "verified or reliable" as the original reporting was incorrect.

- Consistent with *PVLT from China*, if the Department selects a FA CVD margin for the two loan programs, it should assign identical loan rates calculated for the other respondent, as both policy and export lending programs were found countervailable for Xingyu.[287]

- If the Department applies AFA to both lending programs, subsidy rates should only be applied to Dragon and its PTA and MEG producers/suppliers.

Dragon Group rebuts, as follows:

- Dragon Group attempted to correct its loan programs once these errors were apparent in the *Preliminary Determination*. The Department's failure to request these errors is an arbitrary and abusive interpretation of 19 USC 1677m(d).

- The Department had time to evaluate the corrections. It could have spot checked the loans that Dragon wanted to correct, as Dragon requested in an *ex parte* meeting and by written request on September 30, 2015. The Department's receipt of other questionnaires from the respondents in mid-September is further evidence that the Department had ample time to accept and review Dragon's corrections.

- If the Department decides, as AFA, that Dragon Group's loans were unverifiable, then the rate calculated for Dragon Group's loan program should not be used for "benchmarking the adverse inference."[288] However, if the Department decides to use

[286] *See* Letter from Dragon, Re: "Certain Polyethylene Terephthalate Resin from the People's Republic of China-Request Supplemental Questionnaire (September 30, 2015).
[287] *See* PVLT IDM at 13.
[288] *See* Dragon Rebuttal at 3.

Dragon Group's preliminary loan rates, it should recognize that Xingyu's rates are similar to Dragon Group's.

- Finally, as argued elsewhere in Dragon Group's case brief, the Department should not make any attribution to Dragon Group based on these programs for entities that did not produce a direct input supplied to Dragon Group.

Petitioners rebut, as follows:

- Dragon Group's supplemental questionnaire request related to errors in certain columns for previously reported loans.[289]

- Dragon Group's failure to submit unreported loans prior to verification prevented the Department from verifying loans for Dragon and Xianglu CF, as well as policy loans for Xianglu PC ZZ.

- Petitioners argue that Dragon Group ignores its failure to report quarterly interest rate adjustments made to variable rate loans, further hindering the Department from verifying the loan information.[290]

- Citing section 776(a)(2)(A)(D) of the Act, Petitioners assert that the Department should apply facts available and adverse facts where appropriate with regard to 1) all of Dragon Group's and Xianglu CF's policy loans and export financing, Xianglu PC ZZ's policy loans—including policy and export loans not previously reported; and 2) any variable interest rate loans given to Dragon Group and its three cross-owned affiliates.

- Citing section 776(b) of the Act, Petitioners contends Dragon Group did not act to the best of its ability due to the lack of compliance with Department requests.

- In response to Dragon's request that the Department apply rates calculated for Xingyu with regard to policy loans and export financing programs, Petitioners assert that applying Xingyu's rates would result in lower final margins for Dragon Group than calculated in the *Preliminary Determination.*

- Consistent with the CAFC's decision in *Nan Ya Plastics Corp*, the Department should apply the highest rate applied for the programs in another China CVD case.[291]

- Petitioners suggest a rate of 10.54 percent *ad valorem* for policy loans be applied to Dragon, Xianglu CF, Xianglu PC, and Xianglu PC ZZ.[292]

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[289] *See* Dragon Case Brief at 31-32.
[290] *See* Dragon Group VR at 13.
[291] *See Nan Ya Plastics Corp. v. United States*, No. 2015-1054, at 23-24 (Fed. Cir. Jan. 19, 2016) (*Nan Ya Plastics Corp.*).
[292] *See*, *e.g., Decision Memorandum for the Preliminary Affirmative Determination in the Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from the People's Republic of China* (December 15, 2015) (Cold-Rolled Steel Prelim) at 22.

- Petitioners provide a rate of 1.10 *ad valorem* for preferential export financing to be applied to Dragon and Xianglu CF.[293]

Department's Position:

As described above, in the "Use of Facts Otherwise Available and Adverse Inference" section, at verification, we rejected certain loan corrections presented by Dragon Group as minor corrections because the scope of the reporting mistakes was not minor. Although Dragon Group did contact the Department to request a supplemental questionnaire to correct certain loan information, it did not characterize the mistake it made in reporting its loans as pertaining to missing loans.[294] Rather, Dragon Group stated that for information submitted by Xianglu PC ZZ and Xianglu CF, it erred in its reporting of "Total Number of Days Each Interest Payment Covers."[295] Based on Dragon Group's characterization of the error it made when reporting its loans, the Department determined it unnecessary to issue a supplemental questionnaire prior to verifying this information.

However, at verification, the error that Dragon Group attempted to present was much broader in scope than what it had previously described. Dragon Group made a methodological decision to not report any loans that it had paid off during the POI.[296] Because of the nature and scope of this error, we declined to accept the new loan information presented by Dragon Group as a minor correction.

Further, as described above, our decision to apply AFA to Dragon Group's loan programs is also based, in part, on Dragon Group's decision to report approximate, rather than actual interest expenses.[297] This decision impaired our ability to verify that Dragon correctly reported the interest expenses it incurred on its loans during the POI. Thus, we were unable to verify Dragon Group's reported interest expenses.[298] Consequently, we were not able to verify lending for Dragon and its cross-owned affiliates. Thus, we find that necessary information is not available on the record, and Dragon Group withheld information requested by the Department, and we have based Dragon Group's subsidy rate for the Policy Loans and Preferential Export Financing programs on AFA.

Dragon Group argues that the rate calculated for Dragon Group's loan program in the *Preliminary Determination* should not be used for "benchmarking of the adverse inference" because the Department has determined the rate to be unreliable.[299] Instead, it submits that the

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[293] *See Certain Alloy Steel Wire Rod from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 79 FR 68858 (November 19, 2014) (*Wire Rod from China*) and accompanying Issues and Decision Memorandum (IDM) at 1-2 (Wire Rod IDM), at 9.
[294] *See* Letter from Dragon Group, dated September 30, 2015, Re: Certain Polyethylene Terephthalate Resin from the People's Republic of China-Request Supplemental Questionnaire.
[295] *Id*.
[296] *See* Dragon Group VR at 1-2.
[297] *Id.* at 13.
[298] *Id.*
[299] *See* Dragon's rebuttal at 3.

Department should not assign it a rate higher than Xingyu's final calculated benefit rate. However, the preliminary calculated rate for Dragon Group is unreliable because Dragon Group's information could not be verified.[300] Therefore, to disregard Dragon Group's preliminary calculated rate because of its unreliability due to Dragon Group's own failure to not provide the information requested to the Department would go against Congress's intent that a party not obtain a more favorable result by failing to cooperate than if it had cooperated fully.[301] In addition, following Dragon Group's suggested approach to FA would fail to come to terms with the reason for Drago Group's failure, which is that it did not report to the Department all of the loans it was required to report, and therefore, if anything, the benefit accruing from the loans it did report would be understated. Accordingly, the Department finds that it is appropriate to take account of Dragon Group's preliminary calculated rate in selecting the appropriate rate as FA.

With regard to the selection of the AFA rate, in prior cases involving the use of AFA, for programs other than those involving income tax exemptions and reductions, we first sought to apply, where available, the highest above *de minimis* subsidy rate calculated for an identical program from this proceeding.[302] However, the highest above-*de minimis* rate for a lending program in this proceeding is 0.21 percent, which is the rate that was calculated for Xingyu. Insofar as the rate for the Dragon Group's policy lending in the *Preliminary Determination* was 7.21 percent *ad valorem*,[303] substituting a lower rate would undermine Congress's intent "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[304] Similarly, there is no higher above *de minimis* subsidy rate calculated for a similar program from any segment of this proceeding. Therefore, consistent with our AFA hierarchy, we next sought the highest non-*de minimis* rate calculated for the same or similar program (based on the treatment of the benefit) in another PRC proceeding. For the Policy Lending program, this rate is 10.54 percent *ad valorem*, the policy lending rate from *Coated Paper from the PRC*.[305]

For the Preferential Export Lending program, Dragon Group's calculated rate in the *Preliminary Determination* was 2.84 percent.[306] As explained above, we first sought to apply the highest above *de minimis* subsidy rate calculated for an identical program from this proceeding. However, the highest above-*de minimis* rate for a lending program in this proceeding is 0.10 percent, which is the rate that was calculated for Xingyu. Insofar as the rate for the Dragon Group's preferential export lending in the *Preliminary Determination* was 2.84 percent *ad*

[300] *See* Dragon Group VR at 13.
[301] *See* SAA at 870.
[302] *See*, *e.g.*, *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China: Final Results of the Countervailing Duty Administrative Review*, 77 FR 21744 (April 11, 2012) and accompanying IDM at 2-5.
[303] *See Preliminary Determination* at 21.
[304] *See* SAA at 870.
[305] *See Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses From the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 70201 (November 17, 2010) (*Coated Paper from the PRC*), and accompanying Ministerial Error Memorandum at "Revised Net Subsidy Rate for the Gold Companies." This document is proprietary in nature. However, the public version states the revised subsidy rates which include, *infra*, the policy lending rate (for the Policy Loans to Coated Paper Producers and Related Pulp Producers from State-Owned Commercial Banks and Government Policy Banks program).
[306] *See Preliminary Determination* at 22.

valorem,[307] substituting a lower rate would undermine Congress's intent "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."[308]

Similarly, there is no higher above *de minimis* subsidy rate calculated for a similar program from any segment of this proceeding. Therefore, consistent with our AFA hierarchy, we next sought the highest non-*de minimis* rate calculated for the same or similar program (based on the treatment of the benefit) in another PRC proceeding. We determine that for the Preferential Export Lending program, this rate is 10.54 percent *ad valorem*,[309] from *Coated Paper from the PRC*,[310] because for the purposes of this case, this rate is sufficiently adverse as to deter non-cooperation.

Comment 6: The Department Should Apply AFA to Dragon's VAT Refunds for FIEs for Domestically-Produced Equipment

Petitioners argue, as follows:

- In the *Preliminary Determination*, the Department determined Dragon Group did not receive a measurable benefit for this program.
- At verification, the Department found two purchases, of the six randomly selected accounting entries, for which Dragon Group did not pay VAT.
- Dragon Group officials did not provide an explanation for the unreported purchases.
- The Department similarly could not tie the amount of Xianglu PC's purchases to the invoices because the related VAT invoices covered multiple associated purchases and services.
- The Department's review of Xianglu PC's accounting system revealed a significant discrepancy in the timing of when such purchases were booked.
- The Department should apply a subsidy rate of 9.71 percent ad valorem for Dragon Group and Xianglu PC's use of this program.

Dragon Group asserts the following:

- The Department should treat the program as verified and that no benefit was provided, therefore, not apply any facts available rate in the final determination.

[307] *Id.*
[308] *See* SAA at 870.
[309] *See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2011*, 79 FR 108 (January 2, 2014), and accompanying IDM (Citric Acid AR IDM) at 18 ("Export Seller's Credit for High-and New-Technology Products").
[310] *See Coated Paper from the PRC* and accompanying Ministerial Error Memorandum at "Revised Net Subsidy Rate for the Gold Companies." This document is proprietary in nature. However, the public version states the revised subsidy rates which include, *infra*, the policy lending rate (for the Policy Loans to Coated Paper Producers and Related Pulp Producers from State-Owned Commercial Banks and Government Policy Banks program).

- Dragon Group explains that their accounting staffs are not centralized and are not necessarily familiar with all aspects of questions arising in verification. Additionally, few areas of accounting are more complicated than Chinese VAT accounting.

- During verification, Dragon Group counsel was instructed to not to offer their own explanations to the Department and not to confer with company officials to clarify explanations given through the translator.

- The Department created the conditions for apparent chaos by "muzzling" counsel, preventing a quicker explanation to the question.

- Dragon asserts that as certain invoices do not contain VAT, they are not eligible for a VAT refund. Fixed assets that did not qualify as VAT-Applicable purchases were not reported to the Department. Dragon provided a "VAT Invoice" and an "Ordinary Invoice" to compare the purchase invoices described above.[311]

- The documentation of a third purchase could not be found despite Dragon's best efforts, but the company's records were overwhelmingly verified as reliable so there is no reason to doubt the previously reported figure.

- Dragon states that if the purchases in question are added to the program calculation, the benefit would be expensed in the year of receipt and the program rate would remain *de minimis*.

Petitioners rebut, as follows:

- The Department should continue to apply AFA to Dragon Group's VAT refund program as the Department was unable to successfully verify the reported purchase information.[312]

- The inability for Dragon Group to verify purchases questions the validity of Dragon's database.

- Dragon Group's focus on the scale of the misreported purchases detracts from the actual issue of the accuracy of its accounting system and records.[313]

- Under the Trade Preferences Extension Act of 2015 and consistent with *Wire Rod from China*, the Department should apply an AFA rate of 9.71 percent *ad valorem* for this program.[314]

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[311] *See* Dragon VR at 17-18.
[312] *Id.*
[313] *See* Dragon Case Brief at 27-30.
[314] *See* Wire Rod IDM at 10.

Dragon rebuts, as follows:

- Only a small number of invoices and values were affected by Dragon Group's omission.

- Dragon Group fully explained the circumstances and demonstrated that, even if all the invoices were included in the program alleged, the result would have been *de minimis*.

- Dragon Group had a good faith reason why it did not believe the invoices fell under the program because no VAT was due on these sales. This was a methodological decision that was reasonable under the circumstances.

- The Department can include the value of these purchases in the numerator of the calculation for the final determination as facts available.

- Petitioners' suggestion that the Department apply a 9.71 percent *ad valorem* rate is punitive and unlawful.[315]

- In the case that Petitioners rely upon for the 9.71 percent *ad valorem* rate, the respondent informed the Department that it was withdrawing entirely from the investigation.[316] Unlike the respondent in *Wire Rod from China*, Dragon has fully cooperated and its responses were verified and the data was collected for this program.

- In the worst case, the Department could use the data as AFA or increase the reported amounts by 33 percent.

Department's Position:

To test the completeness of Dragon's reporting for this program, we selected six entries from the account where Dragon recorded its fixed assets purchases.[317] Of the six selected entries, we discovered that two were for purchases that were not reported to the Department and for which Dragon did not pay VAT.[318] We asked Dragon to explain why these were not reported. Dragon explained that they chose not to report purchases that were not eligible for the VAT refund as no VAT was due.[319]

As explained in the "Use of Facts Available and Adverse Inferences" section, above, we find that Dragon's omission of these purchases warrants application of AFA, as a significant portion of the accounting entries that the Department selected at verification were not reported in the questionnaire response. We disagree with Dragon's characterization concerning the verification of this program and its allegation that the Department "muzzl{ed}" Dragon Group's local

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[315] *See Gallant Ocean (Thail.) Co. v. United States*, 602 F.3d 1319, 1323 (Fed. Cir. 2010).
[316] *See Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Critical Circumstances Determination*, 79 FR 68858 (Nov. 19, 2014) and accompanying Issues and Decision Memorandum (IDM) at 1-2 ("*Wire Rod from China*").
[317] *See* Dragon VR at 17-18.
[318] *Id.*
[319] *Id.*

counsel. The verification report is an accurate reflection of what occurred. To the extent that Dragon Group argues that the Department "muzzl{ed} counsel," this characterization is inaccurate and misleading. It is the Department's practice to employ official interpreters to assist the Department in overcoming the language barrier and to conduct the verification in an efficient manner. During the conduct of the verification, the Department verifies the accuracy of a respondent's questionnaire response with the company officials that were responsible for preparing the questionnaire response. For this purpose, the Department's practice is to communicate directly with the company officials through the official interpreter. Consistent with its practice, the Department asked the company official about the reporting of this program in the company's response which is reflected in the Department's verification report. Specifically, we reviewed original invoices for domestic purchases of equipment where VAT was not paid, and we specifically asked why the company had not reported these purchases in its questionnaire response.[320] The Department followed up with another question to clarify the company official's statement.[321] It is the Department's practice at verification to verify the company's response by meeting and discussing the reported information with the company officials that were responsible for putting together the company's response from original source documentation.

For this program, after requesting clarification at least four times, it became evident to the Department's verifiers from the discussions that the company official could not provide any additional information beyond the official's statement that Dragon Group did not pay VAT for these purchases.[322] While the Department recognizes the role of company's counsel at verification is an important one for the company, counsel's role does not extend to supplementing the Department's official interpreter's translations. To the extent that counsel began to re-interpret the meaning of the company's official answers, instead of permitting the official interpreter to interpret the statements made by the company official, the Department appropriately requested that local Chinese counsel stop engaging in re-interpretations of the company official's statements. Therefore, not only was local counsel not prohibited from representing its client at verification, but if Dragon Group's counsel believed further clarification was necessary, or that a different translation was necessary, it had an opportunity to provide clarification in its comments.

We also disagree with Dragon Group's assertion that, unlike in *Wire Rod from China*, its response for this program was verified and application of the 9.71 percent *ad valorem* AFA rate would be unnecessarily punitive. We found at verification that Dragon did not report all domestic purchases for which it received VAT exemptions. Therefore, we did not verify Dragon's completeness of reporting its subsidies for this program. Consistent with our practice, and for the reasons explained above in the "Use of Facts Otherwise Available and Adverse Inference" section, we are following the Department's AFA hierarchy to assign a rate for this program.

[320] *See* Dragon VR at Exhibit 11.
[321] *Id.* at 17-18.
[322] *Id.*

With regard to the verification of this program for Xianglu PC, we were able to verify the accuracy of the company's purchases.[323] Because of the way the company maintained its accounting entries, and the timing of these entries, the spot checking of additional purchases was more complicated and required review of numerous invoices.[324] Based on the information that was presented to the Department at verification and our review of that information, there is no basis to find that Xianglu PC wrongly omitted reporting of certain purchases, as the company, "provided VAT invoices that it said related to this purchase."[325] Thus, for Xianglu PC, we continue to calculate a rate based on reported program use.

Comment 7: Whether The Department should apply AFA to Dragon Aromatics

Petitioners assert, as follows:

- Verified record evidence demonstrates that Dragon Aromatics is a cross-owned input supplier to Dragon. Given the record of this investigation and the information obtained by the Department at verification, the Department should apply total AFA with respect to Dragon Aromatics.

- Record information concerning Dragon Aromatic's operations was disproved at verification. Dragon Aromatics provided no reasonable explanation for withholding the requested information with the Department, not only in its questionnaire response, but in person as well.

- Dragon Aromatics should be included as a cross-owned company for the final determination, but Dragon should not benefit from uncooperative behavior and intentional delay. The Department should apply total AFA to Dragon Aromatics.

- The Department should apply AFA to Dragon Aromatics' import duty rebates on imported equipment because it found at verification that Dragon Aromatics does not record imported equipment in its financial accounts. This impeded the Department's verification of accurate reporting of these purchases.

- The Department should include an AFA benefit for Dragon Aromatics' consumption tax refund because it verified that Dragon Aromatic's benefited from a consumption tax refund during the POI. There is no record evidence that it did not benefit from the tax refund in 2013.

- The Department should apply AFA to determine that loans received by Dragon Aromatics are countervailable because at verification, the company stated it could not reconcile its loans because of time constraints. There is no evidence on the record to suggest Dragon Aromatics properly adjusted its variable interest rate for loans. As AFA for this program, the Department should not rely on Xingyu's rate because it is not a cooperating respondent and its loan rate is not reflective of the Dragon Group companies'

[323] *Id.*
[324] *Id.*
[325] *Id.*

countervailable benefit. Instead, the Department should apply an AFA subsidy rate of 10.54 percent *ad valorem* for Dragon Aromatics' policy loans.

- The Department should apply AFA to Dragon Aromatics' grants during the POI at the AFA rate of 0.58 percent *ad valorem*.

- The Department should apply AFA to Dragon Aromatics for the Provision of Electricity for LTAR because Dragon Aromatics states that it purchased a small amount of electricity when its self-generation was insufficient. As AFA, the Department should apply the Dragon Group's calculated rate of 4.92 percent *ad valorem* for this program.

- The Department should not have accepted Dragon Aromatics' 2013 tax return at verification. Reviewing the return for the first time at verification, particularly after the company withheld such evidence, rewards Dragon Aromatics' recalcitrance. Providing data at verification for the first time is in direct conflict with the purpose of verification. Without data to review, the Department should apply AFA to presume that Dragon Aromatics received a subsidy in the form of an income tax exemption specific to companies in the stage of pilot production, countervailable at the AFA rate of 25 percent *ad valorem*.

Dragon rebuts, as follows:

- Dragon Aromatics provided a full response in a timely manner to the Department's supplemental questionnaires. Thus, the Department was fully aware that Dragon Aromatics was producing and selling merchandise in the POI in advance of verification.

- Whether characterized as a "trial" or not, the figures were reported and Dragon Aromatics fully cooperated.

- The Department's decision to investigate Dragon Aromatics once verification commenced increased the burden on the companies by 25 percent, which affected the appearance of the companies' overall organization and presentation of all the responses. Considering the lack of lead time, reading the verification report as a whole, a reasonable reviewer would conclude that Dragon Aromatics passed the verification, apart from loan reporting issues common to all the companies' general methodology.

- Dragon Aromatic's situation is odd in that it was treated as non-operational under Chinese law and accounting principles. The company provided, on the last day of verification, a full staff of accountants to Dragon Aromatics, and was able to show the "live" version of Dragon's accounting system by logging in remotely.

- The Department should not include Dragon Aromatics in its final calculations because it only supplied an upstream input that is not under investigation, *i.e.*, paraxylene (PX). Further, Dragon Aromatics is not currently, nor is it foreseeably, in operation, due to a dramatic explosion at the plant. Finally, there are major impediments to Dragon

Aromatic's resumption of operation, including plant repair and acquiring GOC permission to resume production.

- Dragon Aromatics can only contribute numerator benefits and no sales denominator, so countervailing any benefits would be extremely and unduly punitive.[326] Also, Dragon Aromatics is incapable of supplying any upstream inputs for the foreseeable future. Thus, there is no legal link to support the Department's inclusion of Dragon Aromatics in the calculations.

- Faced with a comparable situation in a recent investigation of *Steel Nails from Malaysia*.[327] There, the Department assigned a plant that was affiliated with the respondent the "all-others" investigation rate.

Department's Position:

As described above, in the "Use of Facts Available and Adverse Inferences" section, the Department determines it is appropriate to apply AFA, in part, to DAC for the following programs: Policy Loans, Preferential Export Financing, Import Tariff and Value-Added Tax (VAT) Exemptions on Imported Equipment in Encouraged Industries, and Income Tax Exemptions.

We disagree with Petitioners that Dragon Group's reporting for DAC merits application of total AFA. Dragon Group did submit a complete questionnaire response for DAC, which, except for the above programs, we were able to verify.[328] Therefore, we are applying AFA, in part, to the information that was unverifiable (Policy Loans, Preferential Export Financing, and Import Tariff and Value-Added Tax (VAT) Exemptions on Imported Equipment in Encouraged Industries) and information that was missing (an official income tax return for the POI). Excepting the above programs, we were able to verify DAC's questionnaire response.

Dragon Group's assertion that it did not have lead time or notice that the Department would include DAC in the verification is inaccurate and does not reflect the steps the Department took to ensure that Dragon Group was on notice about the information to be verified, as reflected in the documentation on the record. In the verification outline that the Department issued to Dragon Group in advance of verification, we instructed Dragon Group as follows: "Be prepared to demonstrate that none of Dragon Group's other affiliated companies, including Dragon Aromatics (Zhangzhou) Co., Ltd., provided inputs for the production of PET resin or otherwise would fall under our attribution regulations."[329] Due to Dragon Group's consistent claim in its responses to the Department that DAC did not fall under our attribution regulations in its questionnaire responses, and its inaccurate characterization of the significance of DAC's activities, the Department did not include DAC in the *Preliminary Determination* as a

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[326] *See Gallant Shrimp*, *supra*.
[327] *See Certain Steel Nails from Malaysia: Final Determination of Sales at Less Than Fair Value*, 80 FR 28969 (May 20, 2015) ("*Steel Nails from Malaysia*"); *Certain Steel Nails From Malaysia: Initiation of Antidumping Duty Changed Circumstances Review*, 80 FR 71772 (November 17, 2015).
[328] *See* Dragon VR at 4-6.
[329] *See* Verification Outline for Dragon Group (October 29, 2015) at 6.

cross-owned input supplier. This decision was based on claims made by Dragon Group, such as, DAC was, "still being established and was not actually operating during the POI,"[330] and DAC "has had no commercial operations throughout the POI."[331] However, the verification outline clearly gave notice to Dragon Group that we would verify its characterization of DAC's activities, as well as factual information relating to its questionnaire response. Dragon Group's decision to not prepare any materials relating to DAC in advance of verification was a choice made by the company despite the Department's notice.

Further, we disagree with Dragon Group's assertion that it provided a full response in a timely manner, notwithstanding our finding above that for the response provided, the Department was able to verify that information. As detailed in the above section at "Use of Facts Available and Adverse Inferences," Dragon Group was provided opportunities in its questionnaire response and at verification to provide an officially filed copy of its 2014 tax return. It did not do so. The company did provide, on the last day of verification, access to Dragon's accounting system, which allowed us to verify some programs.[332] However, certain programs, as detailed above, could not be verified.

We find that Dragon Group's reference to *Steel Nails from Malaysia* is misplaced. In the *Steel Nails from Malaysia* proceeding,[333] the Department determined that the affiliated company was "not yet able to produce subject merchandise, and did not make any sales during the POI."[334] Here, on the other hand, at verification, Dragon Group officials explained that DAC began trial production in 2014, and the PX that was produced during the trial period was sold to both Xianglu PC ZZ and sold domestically.[335] Therefore, because we verified that DAC produced and sold inputs during the POI,[336] the facts of the case differ from *Steel Nails from Malaysia.*

Comment 8: The Department Should Apply Total AFA to Xingyu

Petitioners assert, as follows:

- Xingyu's admissions concerning its financial statements, which came one week before the *Preliminary Determination*, cast doubt on the accuracy and reliability of Xingyu's responses in this investigation.

- Xingyu's responses to the Department's requests for information represent a pattern of delay and lack of transparency. For example, Xingyu did not submit complete information concerning its MEG purchases until its fourth supplemental response, one week before the *Preliminary Determination*, despite the Department's repeated requests for these data.

[330] *See* Dragon Group's May 18, 2015 questionnaire response at 2.
[331] *See* Dragon Group's June 1, 2015 Letter to the Department at 1-2.
[332] *See* Dragon VR at 4-6.
[333] *See* Decision Memorandum for the Preliminary Determination in the Antidumping Duty Investigation of Certain Steel Nails from Malaysia, and the accompanying decision memorandum at 10–13 (December 17, 2014); unchanged in the final determination, 80 FR 28969 (May 20, 2015) and Amended Final.
[334] *Id.*
[335] *See* Dragon VR at 5.
[336] *Id.*

- Over the course of the investigation, Xingyu's responses to the Department's inquiries revealed significant issues that were not addressed at verification, including discrepancies in the company's 2013 and 2014 financial statements; an inadequate explanation for a RMB 6.6 million income tax refund, and no evidentiary support for a statement relating to certain funds received by SFX Group.

- The material discrepancies and unresolved questions, combined with the admissions concerning financial statements, call into question to veracity and reliability of Xingyu's response. The Department should apply total AFA to the company.

- If the Department declines to use total AFA with respect to Xingyu, it should apply AFA to four grants previously unreported by Xingyu but presented at verification. These grants were not accepted as minor corrections. The AFA rate for the grants is 0.58 percent ad valorem for each grant.

Xingyu rebuts, as follows:

- Xingyu cooperated to the best of its ability, submitting 16 responses containing thousands of pages of information.

- Regarding its financial statements, Xingyu recognized this inadvertent error prior to the Preliminary Determination and submitted the correct statements and explained the discrepancy. Further, the Department verified the accuracy of Xingyu's financial statements and found no discrepancies.

- Regarding the grants, Xingyu addressed these in its case brief. The programs at issue are minor corrections to record information. Should the Department find it necessary to apply facts available for an estimate of the amount of the grants, the Department should use Xingyu Group's own data for identical or comparable grants and Xingyu's sales data for calculating the benefit received from the grants.

Department's Position:

We disagree with Petitioners that Xingyu's responses merit application of total AFA. The Department reviewed the evidence submitted by Xingyu and determined that there was no reason to suspect Xingyu's financial statements were unreliable for purposes of this countervailing duty investigation. Xingyu itself recognized the error prior to the *Preliminary Determination* and submitted the correct statements and explained the discrepancy.[337] We were able to verify the information concerning Xingyu's sales and receipt of subsidies.[338] Xingyu was responsive to many of the Department's requests for information throughout this investigation, which encompassed a large number of cross-owned companies.

[337] *See* Xingyu 4th SQR (July 28, 2015) at 2.
[338] *See* Xingyu VR.

For the grants at issue, they pertain to minor corrections presented at verification. As noted above in the "Application of Adverse Facts Available" section, the Department has determined that it is appropriate to apply AFA to certain of these grants.

Comment 9: Whether the Department Should Consider Chinese Producers of MEG and PTA as Authorities

The GOC asserts that:

- In the *Preliminary Determination*, the Department concluded producers of MEG and PTA are "authorities" within the meaning of section 771(5)(B) of the Act as an application of AFA. These findings are in violation of two recent Appellate Body decision at the WTO.[339]

- The decision to apply AFA is not supported by substantial evidence that demonstrated that the GOC made tremendous efforts to obtain the Department's requested information.

- Due to a lack of centralized information system, the GOC cannot provide information regarding CCP affiliations. Moreover, the record contains evidence that CCP affiliation is not relevant as to whether the supplier is an authority.

- The presence of CCP officials in company leadership is irrelevant to the Department's determination of whether a company is an "authority" within the meaning of the statute.

Petitioners rebut, as follows:

- The GOC's explanations as to why the CCP information is missing from the record does not change the fact that the Department requested the information multiple times and the GOC failed to provide it.[340] The Department explained at the Preliminary Determination that it found the GOC did not make a sufficient effort to collect the information through contacting the CCP or consulting other sources. The GOC has successfully provided CCP affiliation information in other proceedings.[341] The GOC also failed to explain its efforts to the Department. Thus, it has failed to act to the "best of its ability."

- Citing section 776 (b) of the Act, the GOC failed to act to the best of their ability by not explaining efforts to attain the CCP affiliation information or propose alternative information, warranting application of AFA.

- There is no basis for the Department to depart from prior findings that the Company Law of China, on which the GOC relies to assert that government officials cannot hold

[339] *See* GOC February 3, 2016 case brief at 3-4.
[340] *See QVD Food Co. v. United States*, 658 F.3d 1318, 1324 (Fed. Cir 2011).
[341] *See*, *e.g.*, *High Pressure Steel Cylinders from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012).

concurrent positions in private enterprises, does not apply to CCP officials.[342]

- The Department's policy and practice with respect to "public bodies" in China is well-settled, and the role and functions of CCP officials within Chinese enterprises is relevant to the Department's analysis.

- The Department should continue to presume for the final determination that certain producers of inputs for which the GOC failed to identify whether board of directors, owners, or senior managers were CCP officials, are "authorities" within the meaning of the statute.

Department's Position:

We continue to find companies that PRC companies that supplied Dragon Group and Xingyu with inputs, specifically, MEG and PTA producers, are "authorities" within the meaning of section 771(5)(B) of the Act.[343]

As explained in the *Preliminary Determination*, in order to do a complete analysis of whether producers of inputs are "authorities" within the meaning of section 771(5)(B) of the Act, we sought information regarding whether any individual owners, board members, or senior managers were government or CCP officials and the role of any CCP primary organization within the companies.[344] Specifically, to the extent that the owners, managers, or directors of a producer are CCP officials or otherwise influenced by certain entities, the Department requested information regarding the means by which the GOC may exercise control over company operations and other CCP-related information. The Department explained its understanding of the CCP's involvement in the PRC's economic and political structure in the current and past PRC CVD proceedings, including why it considers the information regarding the CCP's involvement in the PRC's economic and political structure to be relevant.[345]

Despite the importance of the information requested in the Input Producer Appendix, the GOC provided none of the requested information with regard to CCP officials and CCP primary organizations. Instead, the GOC asserted that, "even if an owner, a director, or a manager of the two producers is a Government or CCP official, this individual can never have additional responsibility, authority and/or capacity regarding the operation of the company as a consequence of his/her official or representative identity."[346] We asked again for the requested information in a supplemental questionnaire, and the GOC referred back to its original response, saying it had no further information to provide.[347]

[342] *See* GOC's February 3, 2016 case brief at 6-7.
[343] The Department's practice for determining whether an entity is an "authority" (Public Body) is fully consistent with WTO rulings on this issue, as reflected in the Public Bodies Memorandum.
[344] *See Preliminary Determination* at 16-17.
[345] *Id.*, at 17.
[346] *Id.,* at 16.
[347] *Id.*

Contrary to the GOC's assertions and objections to our questions, it is the prerogative of the Department, not the GOC, to determine what information is relevant to our analysis.[348] As noted, the Department considers information regarding the CCP's involvement in the PRC's economic and political structure to be essential because public information demonstrates that the CCP may exert significant control over activities in the PRC.[349] The CCP Memorandum and Public Body Memorandum support the Department's determination that CCP membership is relevant to companies—including private companies—in the PRC.[350]

Specifically, the Department has determined that "available information and record evidence indicates that the CCP meets the definition of the term 'government' for the limited purpose of applying the U.S. CVD law to China."[351] Further, publicly available information indicates that Chinese law requires the establishment of CCP organizations "in all companies, whether state, private, domestic, or foreign-invested" and that such organizations may wield a controlling influence in the company's affairs.[352]

In the *2012 Citric Acid Review*, the Department rejected the GOC's assertion that it cannot obtain information on CCP officials and CCP organization. In that proceeding, the GOC provided official government documentation, *i.e.*, stamped originals of election notification from the CCP Committee of Lijiaxiang Town, that the owner of two input producers did not serve as Secretary for the Party Committee of Liujiadu Village in the PRC during the POR and that the village does not geographically overlap with the locations of the producers' operations.[353] Because in this proceeding the GOC did not provide the information we requested regarding this issue, we have no basis to revise the Department's AFA finding that certain calcium carbonate and caustic soda producers are "authorities" within the meaning of section 771(5)(B) of the Act.

Finally, we disagree with the GOC's assertion that our "authorities" analysis for the majority government owned MEG and PTA producers was based solely on state ownership. Rather, as explained in the Public Body Memorandum, we found that majority SOEs in the PRC possess, exercise, or are vested with governmental authority.[354] Our finding is based on the GOC exercising meaningful control over these entities and uses them to effectuate its goals of upholding the socialist market economy, allocating resources, and maintaining the predominant role of the state sector.[355] Therefore, we continue to determine that these entities are "authorities" within the meaning of section 771(5)(B) of the Act, and that the respondent

[348] *See NSK, Ltd. v. United States*, 919 F. Supp. 442, 447 (CIT 1996) ("NSK's assertion that the information it submitted to Commerce provided a sufficient representation of NSK's cost of manufacturing misses the point that 'it is Commerce, not the respondent, that determines what information is to be provided for an administrative review.'"); *see also Ansaldo Componenti, S.p.A. v. United States*, 628 F. Supp. 198, 205 (CIT 1986) (stating that "{i}t is Commerce, not the respondent, that determines what information is to be provided").
[349] *See* Memorandum from Ilissa Kabak Shefferman, International Trade Compliance Analyst to the File, "Placement of information onto the record" (August 7, 2015), which includes Public Body Memorandum, and its attachment CCP Memorandum.
[350] *See* CCP Memorandum; Public Body Memorandum; *Drawn Sinks* and accompanying IDM at Comment 1.
[351] *Id.*, at CCP Memorandum at 33.
[352] *Id.*, at Public Body Memorandum at 35-36, and sources cited therein.
[353] *See Citric Acid and Certain Citrate Salts: Final Results of Countervailing Duty Administrative Review; 2012, 2012* 79 FR 78799 (December 31, 2014) (*2012 Citric Acid Review*) and accompanying IDM at Comment 2.
[354] *See* Public Bodies Memorandum at 11–37.
[355] *Id.*

companies received a financial contribution from them in the form of the provision of a good, pursuant to section 771(5)(D)(iii) of the Act. Further, the GOC has not placed information on the record that contradicts our findings in the Public Body Memorandum.

Comment 10: Whether the Department Should Find the MEG and PTA Markets Are Distorted Because Domestic Production Based Upon Unreliable Data, and Whether to Revise the Input Benchmarks

Petitioners assert, as follows:

- The Department's discussions with CCFA and the GOC at verification make clear that CCFA data regarding the Chinese domestic MEG and PTA markets are unreliable.

- The MEG domestic market has been called into question because the Department could not verify the data directly with the independent consulting firm that gathered the data. Further, there is record evidence that state-owned enterprises produced 75.1 percent by volume and value of domestic Chinese MEG during the POI. As FA, the Department should determine that the Chinese MEG market is distorted by the GOC. Further, because the Department could not verify the CCFA data, the use of AFA is appropriate, and the Department should determine that all unknown producers that supplied MEG to the respondents are government authorities.

- The PTA domestic market data is similarly untrustworthy. When reporting GOC-ownership interests, the GOC did not consider government management as a criterion for determining government ownership. The Department's policy and practice with respect to "public bodies" establishes that the role and functions of CCP officials within Chinese enterprises is relevant to the Department's public body analysis. Accordingly, the Department should apply AFA to conclude that, in addition to market distortion, all unknown producers that supplied PTA to the respondents are government authorities within the meaning of the statute.

- Because the Department could not verify with the GOC that the input markets are not distorted by government involvement, it should use external tier-two benchmarks to measure the benefit of the provision of MEG and PTA to Dragon and Xingyu for LTAR.

The GOC asserts that:

- The GOC confirms that the record MEG data is reliable because it was sourced from the annual report of the CCFA.

- The GOC cites to *Chinese Crystalline Silicon Photovoltaic Products CVD Investigation* in support of the proposition that there is no requirement that the GOC independently verify or "quality-test" the third-party data.

- The GOC's reporting that imports accounted for a vast majority of China's MEG consumption was corroborated by data submitted by Respondents, which shows the

Respondents sourced almost 90 percent of their MEG from imports.

Dragon and Xingyu rebut, as follows:

- There is no record information to doubt the reported levels of government ownership in the MEG and PTA markets. To the contrary, the Department verified this reported information.

- The Department should not revise the input benchmarks. However, if it does look to tier-two benchmarks, Dragon supports the arguments Xingyu made in its Pre-Preliminary comments with respect to the most appropriate world prices.[356] Petitioners' submitted benchmarks are inconsistent with the Department's statutory and regulatory obligations with no explanation of why the Department should depart from its normal practice.

Petitioners rebut that:

- There is nothing on the record to confirm the GOC's claims that CCFA obtains MEG production data from CCFEI "on a regular basis and confirms the accuracy of these data." GOC officials acknowledged that they had no idea how CCFEI collected its data, nor did the GOC do its own research to make sure reported domestic MEG production actually covers all Chinese MEG producers.

- The GOC is mistaken in stating that it provided a breakdown of China's 2014 MEG production and capacity by producer at verification.

- The GOC's assertion that almost 90 percent of MEG supplied to the respondents was imported from foreign markets is questionable given 1) both Dragon and Xingyu were unable to identify all input suppliers, and 2) purchases of MEG through bonded warehouses should be treated as domestic purchases rather than imports because verification clarified that raw materials sourced from bonded warehouses may be of either Chinese or foreign origin.[357]

- The GOC conceded that 75.1 percent, by volume and value, was produced by state-owned or managed enterprises during the POI. With no reliable record evidence as to Chinese MEG production, and the GOC's acknowledgement that SOEs control the domestic market, the Department must, at a minimum apply a facts available analysis to determine that Chinese MEG market is distorted by the GOC. Additionally, because the GOC provided the Department with unreliable data from CCFA that could not be verified, AFA is appropriate.[358]

The GOC rebuts that:

[356] *See Xingyu Pre-Preliminary Comments* (July 22, 2015).
[357] *See* Letter from Mayer Brown to Secretary of Commerce, the Ministry of Commerce of the People's Republic of China Case Brief at 12 (February 3, 2016) (GOC Case Brief); *see also* GOC Verification Report at 7.
[358] *See* 19 USC 1677e(b).

- Citing the GOC Verification Report, the GOC states that Petitioners' argument for questioning the PTA data does not accurately interpret the events at verification.

- The GOC asserts that the production data were accurately collected on a regular basis and reported on questionnaire responses submitted to the Department.

- The GOC states that a reasonable interpretation of the CCFA official's claim with regard to data collection is that calls are made annually to check the data submitted annually, and that conferences are held as needed. Therefore, the narrative answers are not conflicting.

- The CCFA official never stated there were "large discrepancies," but rather, the GOC asserts, differences that exist between data sets does not disqualify use of the respective data. Further, there is no record evidence that shows CCFA and CCFEI PTA production data are different for the respective years.

- Whether or not a producer of PTA is a member of the PTA subdivision was not on the verification outline, and thus the CCFA official may not have known the answer when the Department asked the question.

- A breakdown of national PTA producers that included members and non-members of CCFA exemplifies that CCFA was not trying to mislead the Department.

Department's Position:

As detailed above, in the "Use of Facts Otherwise Available" section, because the Department was unable to verify the accuracy of the MEG market data provided by the GOC, as AFA, we are finding that the Chinese MEG market is distorted. The GOC did not disclose prior to verification that it relied on an independent, third-party consultant to source its market data.[359] At verification we were unable to speak with the consulting firm that gathered the data, and, thus, could not determine how the data was gathered.[360] Because we were unable to verify the accuracy of the market data, we do not have reliable record information of the volume and value of MEG that can be attributed to SOE PRC producers. Consequently, we are treating all purchases for which the respondents reported the producer as "unknown" as attributable to GOC authorities. Thus, all purchases of MEG that were reported as being bought from "unknown" producers are now included in the benefit calculation for Dragon and Xingyu.

We find the GOC's cite to *Chinese Crystalline Silicon Photovoltaic Products CVD Investigation* in support of the proposition that there is no requirement that the GOC independently verify or "quality-test" the third-party data distinguishable from the issue at hand in this investigation. The third-party data that the GOC submitted in the *Chinese Crystalline Silicon Photovoltaic Products CVD Investigation* was publically available, published information from the U.S. International Trade Commission and a prospectus published by the Hong Kong Exchange and

[359] *See* GOC IQR, generally.
[360] *See* GOC VR at 4-6.

Clearing Limited.[361] The reliability of this data is not discussed as an issue in the *Chinese Crystalline Silicon Photovoltaic Products CVD Investigation.* Parties did not raise it as a comment in the *Chinese Crystalline Silicon Photovoltaic Products CVD Investigation*; therefore, the reliability of the data was not an issue. That is not the case in this investigation, where the Department's questions concerning the data source and reliability were not sufficiently addressed by the GOC at verification and the parties have argued this issue in their case briefs.

Where we find that the government provides the majority, or a substantial portion of the market for a good, prices for such goods in the country may be considered significantly distorted by the government's presence in that market and may not be an appropriate basis of comparison for measuring the adequacy of remuneration.[362] Therefore, we find that the use of an external benchmark is warranted for calculating the benefit for the provision of MEG for LTAR. As explained above, in the "Benchmarks and Discount Rates" section, we agree with Xingyu and Dragon Group that Petitioners' submission of world prices are not suitable as benchmarks, and are instead relying on GTA data that the Department placed on the record on February 18, 2016.[363]

However, with respect to the PTA market, we disagree with Petitioners' assertion that the market data provided by the GOC is unverified in this proceeding. At verification, we spoke with representatives from the China Chemical Fiber Association (CCFA).[364] These CCFA representatives were able to explain how the PTA data was gathered and what the CCFA did to verify the accuracy of this data.[365] Further, the CCFA explained that it investigated any discrepancies that existed between its own PTA data and the PTA data gathered by the independent consulting firm.[366] GOC officials explained at verification that, when the manufacturers apply to join the CCFA, the manufacturers report their ownership, relying upon the business licenses' ownership descriptions.[367] In the *Preliminary Determination*, we determined that the domestic market for PTA was not distorted by the presence of government entities.[368]

With regard to the GOC's rebuttal that the verification of the PTA domestic market data at MOFCOM was not untrustworthy, and not conflicting, we agree. We verified the PTA market data, and we continue to find, based on the record information in this proceeding, that distortion does not exist in this market during the POI. Where the Department does not find that a market is distorted by the government's role and presence in that market, as is the case for the PTA market, we will use market prices from actual transactions within the country under investigation (*i.e.*, tier-one benchmarks).[369]

[361] *See Chinese Crystalline Silicon Photovoltaic Products CVD Investigation* IDM at 69.
[362] *See CVD Preamble* at 65377.
[363] *See* Memorandum from Emily Maloof to File, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate from the People's Republic of China: Submitting Benchmark Information," (February 18, 2016).
[364] *See* GOC VR at 4-7.
[365] *Id.*
[366] *Id.*
[367] *See* GOC VR at 6.
[368] *See Preliminary Determination* PDM at 12-13.
[369] *See* Dragon Group Final Calculation Memorandum and Xingyu Final Calculation Memorandum.

Comment 11: Whether Inputs Purchases Through Bonded Warehouses Should Be Treated As Domestic Goods

Petitioners assert that:

- In the *Preliminary Determination*, the Department included "bonded goods" without an identified producer in its calculation of the import-transaction benchmark, instead of treating these purchases as Chinese-produced.

- Xingyu has argued that goods from bonded warehouses are always foreign-produced. Contradicting this position, Dragon Group has argued that when a Chinese manufacturer was identified for PTA and MEG sourced from bonded warehouses, the Department erred in treating those purchases as domestic purchases rather than imports.

- At verification, the GOC clearly stated that not all raw materials sourced from bonded warehouses are foreign goods.

- As AFA, the Department should include all unknown inputs suppliers as domestic manufacturers. In particular, all of Xingyu's and its cross-owned companies' purchases of MEG and PTA through bonded warehouse, without identification of a foreign producer as Chinese manufactured goods.

Dragon asserts that:

- These purchases are similar to inward processing, and the bonded warehouse sales are not an alleged program under investigation. Any forbearance of import duty or VAT is not granted by the producer of the input but rather is afforded by separate laws not under investigation. As such, it is not appropriate to countervail any inputs purchases from a bonded warehouse.

Xingyu asserts that:

- Xingyu could not identify producers of a majority of MEG purchases. Xingyu discovered a public notice on Changjiang International Bonded Area business website, which indicates only goods/products manufactured overseas are allowed to be stored in its facility. It submitted a screenshot of the website in its questionnaire response. The GOC's response was general to all bonded warehouses in China, but it did not specifically address Changjiang International Bonded Area or Xingyu's responses. The GOC's response should not trump publically available information submitted by Xingyu.

Department's Position:

Dragon submitted Ministerial Error Allegations in July 2015 that included assertions that the Department incorrectly included certain purchases through bonded warehouses in its calculations. The Department responded on September 16, 2015 and explained that the inclusion of certain purchases as imports was a methodological decision, therefore, they are included in the calculation of the program "Provision of Inputs for LTAR."[370] We continue to find that these purchases are not imports and thus, have been included in the calculations for the final determination.[371]

This determination is based on questionnaire responses submitted by Dragon Group and Xingyu, and the discussions with the GOC at verification, as discussed below. At verification, a Customs Official of the GOC explained that there is no restriction regarding the origin of goods that enter a bonded warehouse in the PRC.[372] Further, Dragon Group reported purchases of inputs through bonded zones that were produced in the PRC.[373] We find that this record evidence is probative and supports our finding that the relevant inputs were domestically-produced and that it outweighs the information from the screenshot submitted by Xingyu,[374] which was for Changjiang International Bonded Area.

Thus, we will continue to treat domestically produced purchases through a bonded warehouse as domestic purchases in our subsidy calculation for the MEG and PTA inputs for LTAR program. Further, for PTA, we will treat input purchases that were sourced from "unknown" producers according to our practice of including in the benefit calculation a percentage of purchases from unknown" producers that is representative of the GOC's presence in the input market. For MEG purchases, as discussed above, because we were unable to verify the market data, we will include all purchases from "unknown" producers because we are missing information about what percentage of domestically produced MEG is attributable to GOC authorities.

Comment 12: Whether the Department Should Revise the Sales Denominator to Attribute Subsidy Program Benefits

Dragon Group and Xingyu assert the following:

- Xingyu and Dragon Group argue that for certain calculations only benefitting producers of the subject merchandise, the Department used a denominator that included the total sales of the cross-owned producers of subject merchandise and improperly excluded inter-company sales between both companies' cross-owned suppliers and additionally, Xingyu's parent company.[375]

- Citing to *Passenger Tires from China*, Xingyu and Dragon Group assert that the Department's exclusion of certain inter-company sales between the non-producing

[370] *See* Re: Dragon Ministerial Error Allegations at 3.
[371] *See* Dragon Final Calculation Memorandum.
[372] *See* GOC VR at 7.
[373] *See* Dragon Final Calculation Memorandum.
[374] *See* Xingyu IQR at Exhibit 12.
[375] *See* Memorandum from Yasmin Nair, Senior International Trade Compliance Analyst, AD/CVD, Operations, Office VI, to Angelica Townshend, Program Manager, AD/CVD Operations, Office VI, "Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Preliminary Determination Calculations for Dragon Special Resin (Xiamen) Co., Ltd.; Xiang Lu Petrochemicals Co., Ltd.; Xianglu Petrochemicals (Zhangzhou) Co., Ltd.; and Xiamen Xianglu Chemical Fiber Company Limited," dated August 7, 2015 (Dragon Group Preliminary Calculation Memo) at Exhibit 1 and Xingyu Preliminary Calculation Memorandum at Exhibit 1.

cross-owned suppliers and the parent company when such entities are not included in the numerator is inconsistent with its practice, as previously alleged as ministerial errors.[376]

- Dragon Group argues that exclusion of inter-company sales that do not appear in the sales denominator artificially inflate the countervailing duty rate.

- Citing 19 CFR 351.525(b)(6)(iv), Dragon Group states that the regulation does not explain attribution of subsidies for more than one cross-owned supplier and/or producer of the subject merchandise. Therefore, the Department should attribute subsidies received by each input supplier to the combined sales of the producer and all input suppliers, net of intercompany sales, consistent with *1,1,1,2-Tetrafluroethane*.[377]

- Dragon Group asserts that calculating subsidies separately contradicts the Department's treatment of cross-owned suppliers as a collapsed entity by attributing all companies' benefits to Dragon.

Petitioners assert, as follows:

- The Department should use Dragon Group's and Xingyu's corrected sales values, as reported at verification.

- For Dragon Group, where the Department does not apply AFA, it should ensure that the export denominator includes only the combined sales of the subject merchandise producer and the one cross-owned input producer that received the subsidy.

- The Department should find that Xingyu's Overseas Investment Discount grant from Jiangsu Province DOC was tied and amend its preliminary calculations, accordingly.

Dragon rebuts, as follows:

- As argued in its case brief, the Department should exclude and not attribute any benefits from Xianglu CF because it was not a producer of the input it supplied.

- As argued in its case brief, because the Department has collapsed these entities and made holdings inferring that they could each use the assets of the others as their own, it is only logical that all denominators be grouped together as one.

Xingyu rebuts as follows:

[376] *See* "Allegation of Significant Ministerial Errors in the Preliminary Determination of the Countervailing Duty Investigation of Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China" (December 19, 2014) at 3.

[377] *See* Dragon Ministerial Error Allegations, dated August 20, 2015; *see also 1,1,1,2-Tetrafluroethane From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 79 FR 62594 (October 20, 2014) (*1,1,1,2-Tetrafluroethane from China*), and accompanying Issues and Decision Memorandum (IDM) at Comment 17 (1,1,1,2-Tetrafluroethane IDM).

- Petitioners fail to mention the key issue is that these loans do not benefit the export of subject merchandise to the United States. As explained in its case brief, Xingyu reported that the eligibility prerequisite for receiving funds for this program is the carrying out of overseas investment. The application documents for this program clearly show that this is specifically for the purpose of SFX Group's overseas investment in a Singapore company.

Petitioners rebut, as follows:

- Consistent with 19 CFR 351.525(b)(6)(vi) and the Department's practice, Petitioners contend that subsidies received by Dragon's cross-owned input suppliers were appropriately attributed to the combined sales of Dragon and the input supplier, net of intercompany sales.[378]

Department's Position:

With regard to Dragon's and Xingyu's claims that certain inter-company sales were incorrectly calculated, we have updated the total sales values and amended the exclusion of inter-company sales to properly exclude inter-company sales of the companies that only received the program benefit. The amended attribution of benefits for input suppliers, input producers, subject merchandise producers, and parent companies is described above under "Attribution of Subsidies."

Dragon further claims that subsidies received by each input supplier should be attributed to the combined sales of the producer and all input suppliers, net of intercompany sales, consistent with *1,1,1,2-Tetraflourethane from the PRC*. We disagree. Consistent with the Department's response to Dragon Group's Preliminary Ministerial Error Comments and pursuant to 19 CFR 351.525(iv)-(v), the appropriate denominator to attribute subsidies received by cross-owned input producers is the combined sales of only the subject merchandise producer and the one input producer that received the subsidy.[379]

With respect to Petitioners' request that the Department use the corrected sales values for the respective company for the final determination, the Department agrees and has corrected sales values.

With regard to Xingyu's Overseas Investment Discount grant from Jiangsu Province DOC, see Comment 3 above and Xingyu's Final Calculation Memorandum as not information is available for public disclosure.

Dragon additionally requests that the Department exclude any benefits received by Xianglu CF from Dragon's net subsidy rate as the company does not produce the subject merchandise. The Department agrees, in part. As discussed in "Attribution of Subsidies," we have amended our

[378] *See* Dragon Group Preliminary Calculation Memo at 5; *see also* 1,1,1,2-Tetrafluroethane IDM at Comment 17.
[379] *See* Dragon Ministerial Error Allegations; *See also* Letter from Yasmin Nair, "Response to Ministerial Error Comments filed by Dragon Special Resin (Xiamen) Co., Ltd," (September 16, 2015).

attribution of subsidies to attribute the benefits of subsidies received by input suppliers that relate to the inputs of subject merchandise.

Comment 13: The Department Should Correct Errors on the GOC's Policy Loans to Xingyu

Petitioners assert, as follows:

- The Department should use the 2014 benchmark interest rates, instead of using 2013 data.

- The Department should correct certain calculations for loans reported by SFX Group, Xingye Poly, and Hailun.

Xingyu rebuts, as follows:

- Petitioners suggested revisions are not merited. The Department should rely upon the 2013 benchmarks because, to the extent that the loan rates were set in a previous period, the rate should be measured against the benchmark in the year of the loan's establishment.

- Petitioners' assertion that the Department failed to include particular interest payments in the preliminary benefit calculation applies to payments made at the beginning of 2014 and included some of the payable interest covering days at the end of 2013. As such, Xingyu submits that this issue of the bridge month on each end of the POI would balance out the benefits that Petitioners claim were excluded from the preliminary calculations. The Department cannot reasonably adjust one end of the POI without adjusting the other.
- Regarding the loans for Xingye Poly, these were addressed in Xingyu's Fourth Supplemental Questionnaire submitted on July 20, 2015. It explains that the loan contracts are all syndicated loans. Some interest payment information remained blank because those reported interest payments have no one-to-one correspondence with one single loan contract in the syndicated loans. Rather, they were calculated based upon the whole group of related syndicated loans. Xingye Poly's loan information was verified and there is no basis on which to add additional benefits to the loan calculations.

Department's Position:

With respect to Petitioners' request to use the 2014 benchmark, the Department disagrees. The 2014 benchmark interest rate data has not been fully verified for the purpose of this final determination. Therefore we will continue to use the 2013 data to measure the benefit of countervailable lending provided by the GOC to Dragon and Xingyu.[380]

The Department agrees with Petitioners' request to include certain payments made on policy loans during the POI that were granted to SFX. These were inadvertent errors made in the

[380] *See Certain Uncoated Paper from the PRC*, and accompanying IDM at 8.

Preliminary Determination that have been corrected. *See* Xingyu Final Calculation Memo for Further, we agree with Petitioners with regard to including certain loans that Xingyu paid interest on in 2014. These calculations have been amended for this final determination.[381]

Comment 14: Whether the Department Should Continue to Include VAT and Import Duties in Determining the Monthly Benchmark for PTA and MEG for LTAR

Petitioners assert that:

- The Department added import duty and VAT to derive monthly benchmark price, and it should continue to do so for the final, regardless of whether actual transactions or world market price benchmarks are used. This is consistent with the CVD statute, regulations, and the Department's established past practice.

The GOC asserts that:

- In the Preliminary Determination, when calculating benefits for the MEG and PTA for LTAR program for MEG and PTA originating in China and re-imported from a bonded zone, the Department compared the benchmark price calculated on a delivered term with the import price the respondents actually paid without adding the exempted import duty and VAT. This decision is contrary to U.S. law.

- Since the actual prices that the respondents paid for MEG and PTA did not include import duty and VAT, the Department did not consider them delivered prices. By comparing a benchmark price, calculated on delivered terms, with the price the respondents actually paid, which was not on a delivered term, the Department acted inconsistent with its own CVD Regulations and statute.

Dragon and Xingyu assert the following:

- Xingyu and Dragon assert that VAT and import duty exemptions are incorrectly included as part of the benefit for purchasing PTA at LTAR because the Department improperly calculated purchases that were imports under the inward processing trade. The Department should correct these errors through a calculation adjustment made to all purchases subject to inward processing.[382]

Petitioners rebut that:

- The suggestion that import duties should be added to domestic purchases of PTA and MEG defies law, Department precedent, and logic. There are no import duties on any internal Chinese market transactions, regardless of how they were sourced.

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[381] *See* Xingyu Final Calculation Memorandum and Attachment 1 at "Policy Loans SFX Group."

[382] *See* Xingyu's July 23, 2015 Supplemental Questionnaire Response (Xingyu July 23 SQR) at 3; *See also* Dragon Preliminary Calculation Memorandum at "Dragon-PTA" and Letter to the Secretary from DeKieffer & Horgan, PPLC, Re: Dragon Ministerial Error Allegations (August 20, 2015) (Dragon Ministerial Error Allegations) at 5-6 and Exhibit 3.

- In presenting this argument, the GOC claims that the Department used delivered prices for the benchmark without using delivered prices for the subject producers' purchases. However, the subject producers' actual reported purchases were used in the comparison, and thus reflect the true costs to the companies – effectively, delivered prices.

- Respondents cannot offer any legal support or case precedent for making such adjustments to their actual transaction prices.

- While the CVD statute, regulations, and the Department's practice demonstrate inclusion of import duty and VAT in the benchmark price, modifying the input prices has no basis in law, and thus the Department should not alter input prices for the final determination.[383]

Dragon Group and Xingyu rebut, as follows:

- In case of inward processing transactions, it is not a prevailing market condition to add VAT and import duties because none occurred on such purchases. For these imports, the Department should not add VAT and import duties to amounts paid, so that the benchmark is comparable to domestic prices.

Department's Position:

We agree with Petitioners. Consistent with the Department's practice, the Department concludes that both import duties and VAT should be included in the benchmark prices in order to make an appropriate level of price comparability between domestic purchase prices and benchmark prices.[384] Dragon Group and Xingyu have not presented any new arguments to lead the Department to reconsider the derivation of the MEG and PTA benchmark prices used in the companies' benefit calculations for the "Provision of Inputs for LTAR."[385]

With regard to the GOC's argument that including VAT and import duties is contrary to U.S. law, we disagree. The Department has determined that 19 CFR 351.511(a)(2)(iv) of the regulations is clear in its requirement to use delivered prices which include all delivery charges and import duties when determining whether the provision of a good provides a benefit.[386] In *Hot Rolled Steel from India*, the Department explained that, in keeping with the regulation, "delivery charges and import duties would include all shipping, handling and related charges (*e.g.*, foreign inland freight, local inland freight, and ocean freight) that would be incurred in delivering the product to the respondents' factory gate, as well as duties and taxes (*e.g.*, VAT, normal customs duties, antidumping and countervailing duties) applicable to that product."[387] As such, Dragon Group's and Xingyu's assertions that VAT and import duties are not required to

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[383] *See* GOC Case Brief at 8, Letter from deKieffer & Horgan to Secretary of Commerce, Dragon Case Brief, at 24 (February 3, 2016) (Dragon Case Brief) and Letter from deKieffer & Horgan to Secretary of Commerce, Xingyu Case Brief at 35-36 (February 3, 2016) (Xingyu Case Brief).
[384] *See*, *e.g.*, Line Pipe IDM at Comment 8; Wind Towers IDM at Comment 19.
[385] *Id.*
[386] *Id.*
[387] *See Hot Rolled Steel from India*, and accompanying IDM at Comment 4.

adjustments to the benchmark prices to reflect the delivered price a firm would pay, are baseless.

In *Steel Cylinders from the PRC*, the Department discussed that domestic inputs purchased by a firm are delivered prices which include all delivery charge and VAT. Therefore, in order to ensure an appropriate "apples-to-apples" comparison between domestic input purchases and the world-market benchmark, the regulations require the use of delivered prices for the benchmark, which include import duties and VAT.[388]

Further, to suggest that the Department should compare a domestic delivered input price inclusive of VAT to a non-delivered, VAT-exclusive benchmark price results in a distorted benefit calculation and is inconsistent with the requirements of 19 CFR 351.511(a)(2)(iv). The domestically-produced PET resin inputs would compete with world-market inputs based on delivered prices that would include all delivery charges, taxes and duties required for sale within the PRC market, *i.e.*, prevailing market conditions.

The Department has previously addressed and rejected arguments that case specific adjustments should be made to reflect the price a firm actually paid or would pay. In *OCTG from the PRC*, we explained the Department's position on this issue when addressing the derivation of benchmark prices with regard to freight:

> Although Jianli contends that the benchmark should reflect prices Jianli itself would have paid, 19 CFR 351.511(a)(2)(iv) directs the Department to adjust the price for freight "to reflect the price a firm actually paid or would pay if it imported the product" (emphasis added). Thus, so long as the ocean freight costs are reflective of market rates for ocean freight, and representative of the rates an importer—and not necessarily the respondent specifically—would have paid, then the prices are appropriate to include in our benchmark. Additionally, these prices are for shipping steel articles from the locations included in our benchmark to the PC, thus the pricing series are appropriate to include in our benchmark.[389]

With regard to Dragon Group's and Xingyu's assertion that the Department incorrectly did not account for purchases through inward processing, this issue is discussed in Comment 11 above.

For the reasons stated above, we continue to include VAT and import duties in the MEG and PTA benchmark prices, which are delivered prices as required by 19 CFR 351.511(a)(2)(iv), used to calculate Dragon Group's and Xingyu's benefit under the program "Provision of Inputs for LTAR."

Comment 15: If the Department Does Not Use World Market Prices as Benchmarks in the Final Determination, It Must Correct Certain Errors in the Monthly Benchmark for the MEG for LTAR Program.

Petitioners assert that:

- Certain monthly benefit calculations for SFX Group for MEG purchases include incorrect

[388] *See Steel Cylinders from the PRC*, and accompanying IDM at Comment 9.
[389] *See* OCTG IDM at Comment 13.

benchmarks.

No other parties commented on this issue.

Department's Position:

This issue is moot as we are now relying on tier-two, world market prices as benchmark to measure the adequacy of remunerations, as explained *infra*.

Comment 16: Whether A Program of Policy Lending for PET Resin Exists

The GOC asserts that:

- The Department's conclusion that China has a policy to support the PET Resin industry is not supported by substantial evidence, as either the policy has been superseded, or the Department's conclusion was based on an overly broad reading of the GOC's policies/plans.

- The 11th FYP covered only 2006-2010, thus, any loans extended between 2011 and 2014 were not covered by this plan. The Department made no finding concerning the 12th FYP.

- The GOC explained at verification that the Guidance Catalogue on Industrial Structural Adjustment (2011), as revised in 2013 (Guidance Catalogue), lists PET resin as a permitted industry, and not an encouraged industry. Additionally, this plan provides direction as to what technology is encouraged but it does not provide for a preferential policy.
- The Order of the State Development Planning Commission and the State Economic and Trade Commission on Distributing the List of industries, Products and Technologies Currently Encouraged by the State for Development (Revised in 2000) (List of the Encouraged Industries), which the Department found identified the ethylene industry as an Encouraged Industry, was abolished in 2005.

- The GOC explained at verification that the Temporary Provisions on Promoting Industrial Structure Adjustment (Decision No. 40) was implemented through the Guidance Catalogue, which does not list PET resin as encouraged. The Department's finding that Chapter 2 of Decision No. 40, which lists petrochemical and ethanol, is only intended as a generalized summary of the policies. As the Guidance Catalogue was the implementing measure for Decision No. 40, the fact the PET Resin was not identified in the Guidance Catalogue as encouraged indicated that the industry was not an encouraged industry under Decision No. 40.

Petitioners rebut, as follows:

- The GOC is incorrect that the Five-Year Plans did not call for financial support for the petrochemicals industry, since these plans call for optimizing the development of "basic chemical materials" and "actively develop fine chemical industry."

- Loans from SOCBs and government policy banks to subject producers are outstanding for a number of years. To entirely disregard the impact of the 11th Five-Year Plan after 2010 as the GOC insists is too simplistic.

- The 12th Five-Year Plan urges petrochemical industries to "emphasize development of high-end petrochemical products. . . and promote quality improvement of petroleum-based products. . ." The GOC offers no evidence rebutting this support for downstream petrochemical products like PET resin in the 12th Five Year Plan.

- The GOC's claim at verification that local government implementation of the national five-year plans conflicts with record evidence in this investigation and the Department's findings in other cases. Decision No. 40 calls upon all provincial, region, and municipal governments to, "speed up the formulation and amendment of policies on public finance, taxation, credit, land, import and export, etc.…" The GOC's administrative system ensures that provincial and local policy goals and objectives are in conformity with the central government's policy goals and objectives.

- Fujian Provinces 12th Five-Year Plan for Economic and Social Development (2011-2015) encourages the petrochemical sector and downstream petrochemical industries as major centers of development, and promotes the continued expansion and development of petrochemical production. The record demonstrates the central government's ongoing support for the petrochemical industry during the 12th Five-Year Plan, including the POI, and shows that Chinese provincial governments' policies are consistently aligned with the central government's prioritization and encouragement of the petrochemical industry and concomitant preferential policies.

- In *1,1,1,2-Tetrafluoroethane from China*, the Department found that the GOC's identification of the subject merchandise as disfavored in the Kyoto Protocol irrelevant to the Department's finding of policy lending.[390] Thus, the GOC's "permitted" designation of the subject merchandise should not affect the Department's finding that the PET resin industry was encouraged under the GOC's policy loans.

Department's Position:

We disagree with the GOC that the Department's finding of a Policy Loans program is not supported by the record evidence. As Petitioners correctly point out, 12th Five-Year Plan urges petrochemical industries to "emphasize development of high-end petrochemical products. . . and promote quality improvement of petroleum-based products. . ."[391] The GOC offers no evidence rebutting this support for downstream petrochemical products like PET resin in the 12th Five

[390] *See 1,1,1,2 Tetrafluoroethane From China* and accompanying IDM at 40.
[391] *See* "Petition for the Imposition of Countervailing Duties on Imports of Certain Polyethylene Terephthalate Resin from the People's Republic of China," dated March 10, 2015 (Petition) at Exhibit PRC-2, Ch. 9, Sec. 1.

Year Plan. Further, the support established in the 11th Five-Year Plan for preferential lending did not evaporate at the end of the 11th Five-Year period.[392] Depending on repayment, loans that were bequeathed to PET resin producers during the Five-Year period were potentially still outstanding as loans that extended into the next Five-Year period. The record demonstrates continued local support and expansion of China's petrochemical production from 2011-2015, and provincial governments' policies are consistently aligned with the central government's industrial prioritization and encouragement.[393]

Although we did not rely upon the 12th FYP for our Preliminary Determination of Policy Lending, that does not preclude us from considering the plan for this final determination.[394] In the Department's verification outline to the GOC, we requested that the GOC discuss the broad range of fiscal incentives and enforcement powers at the national and regional level that are in place to support the government's industrial policy objectives, as outlined in the plans that included the 10th, 11th, and 12th FYPs, as well as sections that pertained to local provinces.[395] At verification, the GOC argued that the central plans provide an instructive direction, but that plan implementation is not mandatory.[396] However, the GOC provided no evidence to rebut these plans, in so far as they extended to supporting Petitioners' claims of a policy lending program.[397]

We disagree that a program of Policy Lending to the PET resin industry did not exist because PET resin was not identified in the "Encouraged" category in the Guidance catalog. Other national and local plans, such as the 11th and 12th national FYPs and the Fujian Province 12th Five-Year Plan for Economic and Social Development, existed that supported preferential lending policies to industries that encompass PET resin.[398] In *1,1,1,2-Tetrafluoroethane from China*, the Department rejected the GOC's argument that the subject product's identification as "disfavored" affected the Department's analysis of other GOC policy documents.[399] Thus, the absence of PET resin in the "Encouraged" category of the Guidance Catalog does not affect our finding that the PET resin industry was encouraged under the GOC's policy loans. Consistent with our *Preliminary Determination*, we continue to find that a program of policy lending for PET resin producers exists.

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[392] *Id*., at Exhibit PRC-1., Ch. 13, Sec. 2.
[393] *Id*., at Exhibit PRC-18, Ch. 3, Sec. 1.
[394] *Id*., at Exhibit PRC-2.
[395] *See* Department's Verification Outline issued to the GOC (October 29, 2015).
[396] *See* GOC VR at 3.
[397] *Id.*
[398] *Id.*
[399] *See 1,1,1,2-Tetrafluoroethane from China* IDM at 40.

VII. RECOMMENDATION

We recommend approving all of the above positions and adjusting all related countervailable subsidy rates accordingly. If these Department positions are accepted, we will publish the final determination in the *Federal Register*.

✓
Agree

Disagree

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

4 MARCH 2016
Date

THINK ACT

BEYOND MAINSTREAM

September 2016

Keep the dragon flying

China's reforms over the next five years will create multiple opportunities for chemical companies

Roland Berger

PLUS
MULTIPLE OPPORTUNITIES FOR CHEMICAL COMPANIES
→ P. 12

THE BIG 3

5-year plan

Beijing has announced its 13th Five-Year Plan, covering the period 2016-2020.

Page 3

6%

is the compound annual growth we forecast for the Chinese chemical market in 2020-2025.

Page 12

EUR 1.3 trillion

is the size of the Chinese chemical market in 2025, representing 33% of the global market.

Page 9

China faces a raft of challenges, especially in the chemical industry. Careful implementation of reforms could lead to a "new normal".

China's 13th Five-Year Plan lays out a framework for reform. A key instrument for setting the direction of China's future economic development, the Plan is considered particularly important as 2020 is the deadline for the country achieving its stated goal of becoming a "moderately prosperous society".

China's Five-Year Plans are a reflection of the country's social, economic and political goals. Drafted by the National Development and Reform Commission, their targets are established in consultation with experts from industry, other government ministries and academics. The 13th Five-Year Plan sets out five main principles, backed up by 50 practical strategies, plans and policies embodying these principles.

The five underlying principles set out in the latest Plan are Innovation, Opening Up, Green Development, Coordination, and Sharing. Innovation includes goals such as doubling GDP and per capita income by 2020 (compared to 2010), shifting the country's economic structure to a higher-quality growth pattern, and moving manufacturing up the value chain through the "Made in China 2025" initiative. Opening Up covers areas such as anti-corruption efforts and more active global governance in financial markets. Green Development foresees a rise in the share of non-fossil fuel to 15 percent, a ban on commercial logging in natural forests, and a reduction in emissions. The principle of Coordination aims to ensure balanced development between rural and urban areas, and also across different industries, and the implementation of a two-child policy. The Sharing principle entails sharing China's prosperity among the population, lifting 70 million people out of poverty, and ensuring universal enrolment in healthcare and pension schemes. → A

IT'S HARD TO QUIBBLE WITH ANY OF THESE GOALS

The Plan represents China's eminently sensible response to the challenges it currently faces both domestically and globally. China's economic importance is growing, with an increasing share of world GDP. The country has become an important export destination.

A

FIVE MAIN PRINCIPLES UNDERPIN CHINA'S 13TH FIVE-YEAR PLAN
Backed up by 50 practical strategies, plans and policies embodying these principles.

1	INNOVATION	Economic growth Economic development Domestic upgrading
2	OPENING UP	Anti-corruption Financial markets
3	GREEN DEVELOPMENT	Green development Environmental policy
4	COORDINATION	Urbanization Demographic development
5	SHARING	Equal prosperity Social welfare Social insurance

Source: Roland Berger

But, at the same time, its relative economic growth rate has slowed from 14 percent in 2007 to 7 percent in 2015 – still an enviable rate but well below previous levels.

In fact, China is facing a whole raft of challenges. Many companies, especially China's state-owned enterprises, display high levels of indebtedness. Labor costs are on the rise, undermining the country's competitiveness compared to other low-cost exporters such as India and parts of Africa.

Many Chinese industries are also plagued by overcapacity. Indeed, this is perhaps the most pressing issue facing the chemical industry, as we will see below. Factors driving overcapacity in key industries include fragmentation, local protectionism, weak enforcement of regulation, a fiscal system that encourages local governments to attract excessive investment, the widespread availability of comparably inexpensive technology, and environmental, health and safety standards that are often ignored. Added to this is a drive for market share rather than profitability. This complex fabric of factors has led to almost 30 percent overcapacity in steel (China's steel production is more than double the combined production of the next four biggest producers: Japan, India, the United States and Russia), 24 percent overcapacity in aluminum (where 60 percent of production capacity has negative cashflow), and 27 percent overcapacity in cement production (China produced as much cement in 2010-2012 as the United States did during the entire twentieth century).

THE ISSUE OF OVERCAPACITY IS PARTICULARLY RELEVANT IN THE CHEMICAL INDUSTRY

The figures speak for themselves: Chinese production of nylon 6 saw 63 percent utilization in 2015 with a difference of 122 kilotons between capacity and production volume. Caprolactam saw 70 percent utilization with a difference of 109 kilotons between capacity and production volume, and utilization is projected to fall by 13 percentage points between 2015 and 2017. Chlorine saw 0.3 megatons of oversupply in 2015 with a projected oversupply of 1.1 megatons in 2017 – a key growth constraint on the chlor-alkali industry. Phosphorus pentoxide saw 70 percent utilization in 2014. We could go on.

The logical consequences of overcapacity are not hard to imagine. Overcapacity leads to oversupply, which leads to low product prices. At the same time, utilization leads to higher conversion costs, because companies are unable to produce efficiently. This results in low margins, putting further pressure on costs and margins.

WHAT DO WE AT ROLAND BERGER FORESEE FOR CHINA'S ECONOMIC DEVELOPMENT?

Given China's current challenges – above all its slowing GDP growth, overcapacity in key industries, stagnant exports, excessive indebtedness, and rising labor costs – we believe that the country's economic development will depend on two key factors. One of these factors is beyond Beijing's control: the development of the global economy. What happens in the global economy will have a direct impact on the level of Chinese exports. The other factor is within Beijing's power: whether and how consistently it implements the reforms and policies implied by the Five-Year Plan.

Based on the current economic situation, we see four future scenarios for how China could develop through 2020. If China is slow to implement its reform program, and global growth is weak, we foresee a "growth slowdown" scenario. This is the worst-case scenario, in which a lack of growth either in exports or private consumption goes hand in hand with potential social unrest triggered by high unemployment and bleak future prospects. The second scenario is where a slow pace of reform, combined with stronger global growth, leads to a "credit-financed stability" scenario. Here, structural problems remain a key risk to stability. The third, best-case scenario is one of far-reaching, dynamic political reforms, combined with rapid global growth. We call this the "new growth" scenario.

The final possibility is the "new normal" scenario, to use the term coined by President Xi Jinping in 2014. This is a positive scenario, in which the reforms of the 13th Five-Year Plan are successfully implemented and reduced exports are offset by higher consumption. Given the probability of growth rates that are still healthy, albeit less strong than in the past, and China's commitment to reform, we believe that the "new normal" scenario is not only possible but is in fact the most likely scenario. However, achieving it will be no walk in the park: Beijing will face considerable obstacles to implementing all its planned reforms.

WHAT DOES ACHIEVING THE "NEW NORMAL" MEAN FOR CHINA?

Comparing the situation today with the situation envisaged for tomorrow highlights the differences. In terms of growth drivers, today we see exports alongside investment by the Chinese state; in the "new normal", these exports will to some extent be replaced by domestic consumption. Today's focus is on quantity and dynamic growth; tomorrow's focus will be on quality and sustainability. Today's goal is economic progress; tomorrow's goal will be improving the quality of life for Chinese citizens. Today's resource-intensive industries will give way to knowledge-intensive industries. Services will take over from industry as the most important sector. Regulation will increasingly rely on privatizing and regulating rather than owning and controlling. To access the Chinese market, foreign companies will have to ensure a high level of local content rather than setting up joint ventures as in the past.

So much for the broader picture of what the next half-decade holds for China. But this paper also has a narrower focus: the impact of China's reforms over the next five years on the chemical industry. In the following section, we look at how developments in China will affect the different segments of the chemical industry and present our forecast growth rates for relevant sectors.

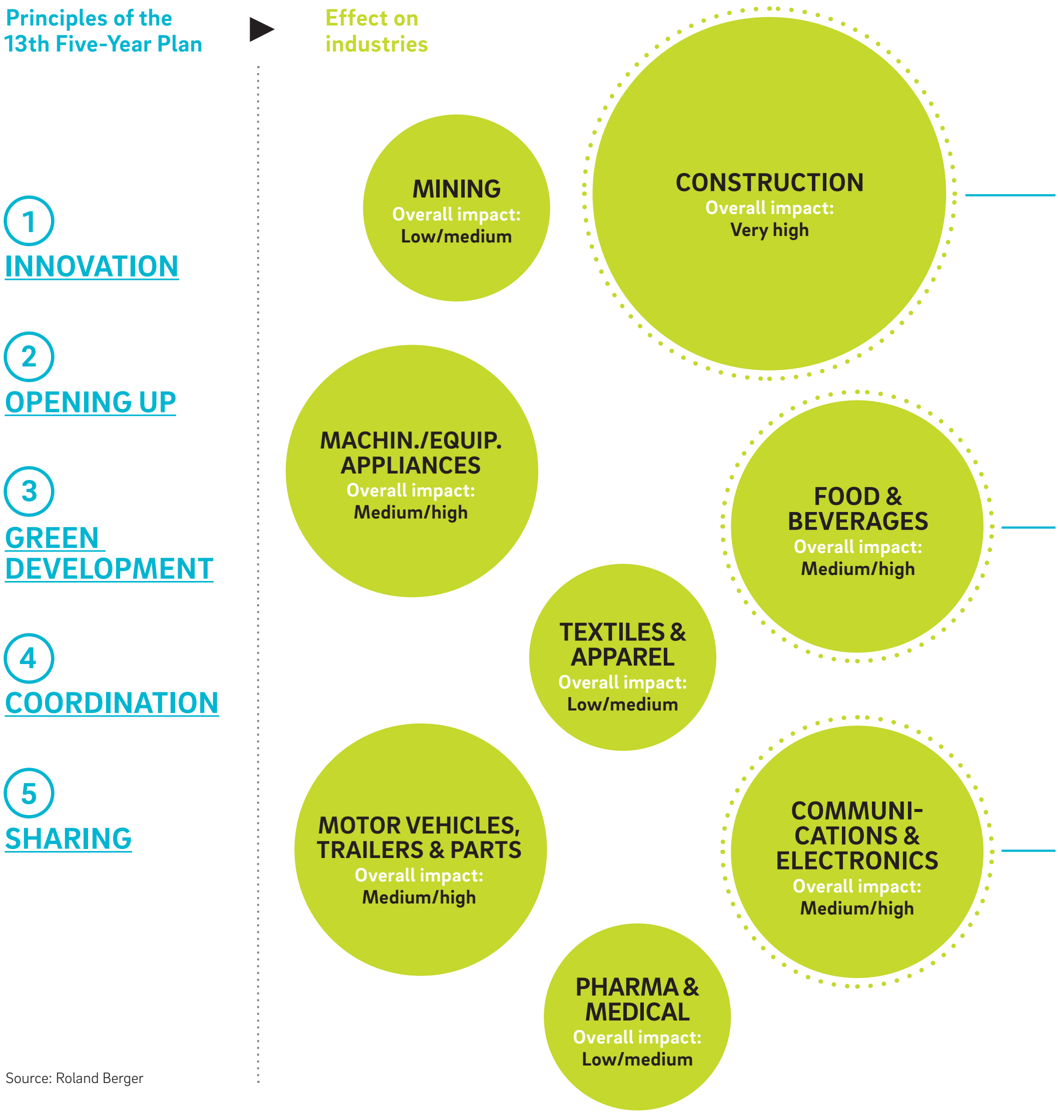
The reforms China carries out over the space of the next five years will in some cases have a direct influence on the local chemical industry. On a global scale, however, we need to look one step beyond this direct influence, at how the new policies and reforms will indirectly affect the key industries that the chemical industry supplies. For example, the five key principles of the 13th Five-Year Plan have clear implications for the automotive industry. This, in turn, has significant implications for specific sectors of the chemical industry both locally and globally, namely petrochemicals, commodity plastics, engineered plastics, paints and coatings, synthetic rubbers, and other specialties. → B

Our analysis puts eight selected industries under the microscope and highlights how the expected changes will drive specific chemical sectors.

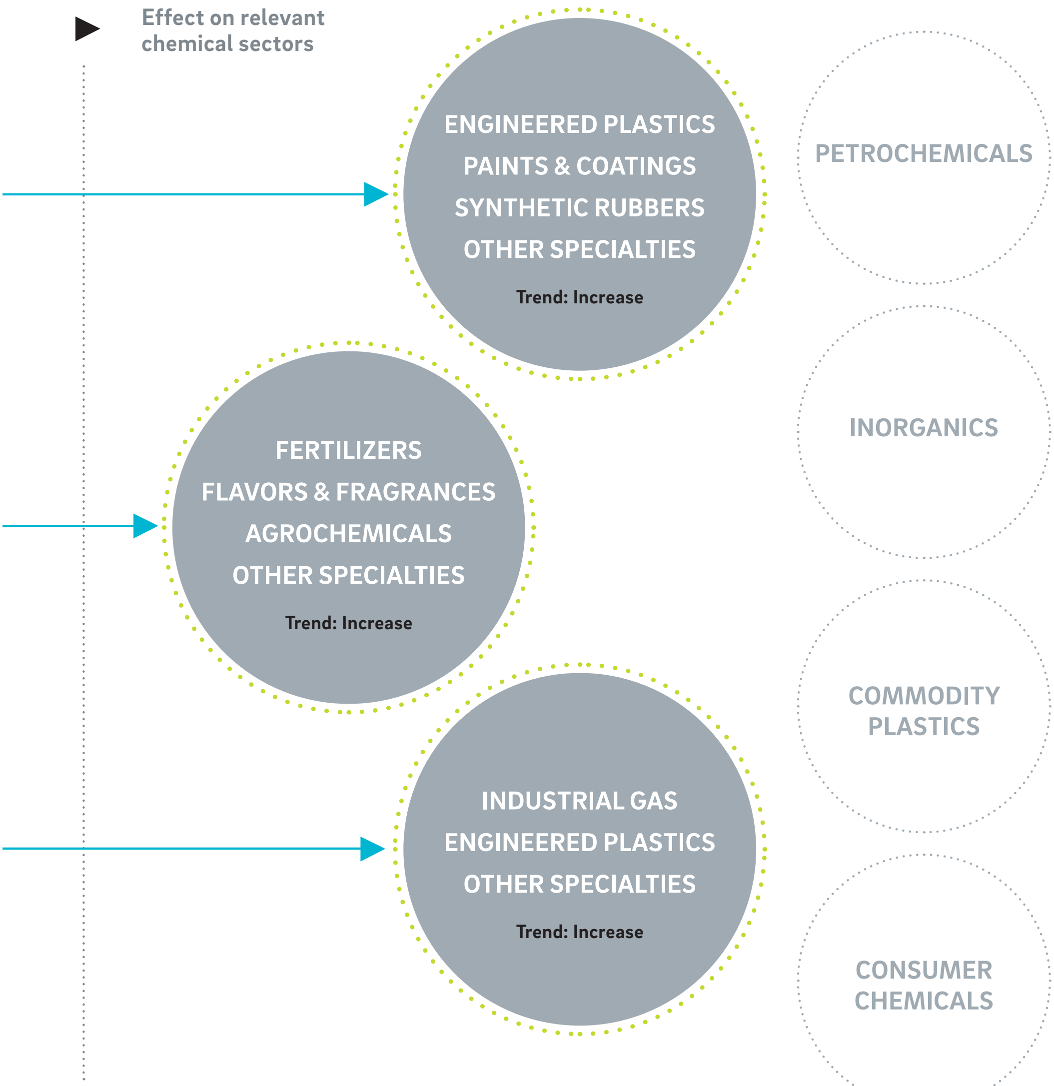
B

A KNOCK-ON EFFECT

Our analysis puts eight selected industries under the microscope. Each industry represents a key part of the Chinese economy.



Source: Roland Berger


Effect on relevant chemical sectors
ENGINEERED PLASTICS
PAINTS & COATINGS
SYNTHETIC RUBBERS
OTHER SPECIALTIES
Trend: Increase
PETROCHEMICALS
FERTILIZERS
FLAVORS & FRAGRANCES
AGROCHEMICALS
OTHER SPECIALTIES
Trend: Increase
INORGANICS
COMMODITY PLASTICS
INDUSTRIAL GAS
ENGINEERED PLASTICS
OTHER SPECIALTIES
Trend: Increase
CONSUMER CHEMICALS

SOME OF THE MORE AFFECTED SECTORS

Details on these three industries

CONSTRUCTION

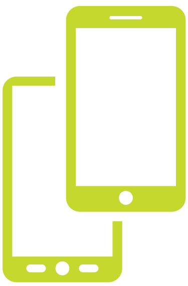
The impact of the 13th Five-Year Plan on the construction industry is expected to be very high. The industry will be strongly impacted by the principles of Innovation (in areas such as prefabricated construction modules, building-integrated photovoltaic systems), Green Development (green housing policies for the use of materials and resources etc.), Coordination (managed growth of megacities, enhanced connection of transportation routes, public transit etc.), and Sharing (upgrading of rural roads and power grids, access to broadband networks in urban and rural areas). The construction industry is highly relevant due to the fact that China is currently in an urbanization process. This drives a number of chemical sectors: engineered plastics (glass-fiber-reinforced plastics, polystyrene foam insulation, carbon fibers), paints and coatings (water-based, low-emission, corrosion and fire-resistant paints and coatings), synthetic rubbers (elastomers), and other specialties (solar cells, glass-fiber-reinforced concrete).

FOOD & BEVERAGES

We expect the 13th Five-Year Plan to have a medium to high impact on the food and beverages industry, largely through new agricultural policies. This impact will be seen mainly for the principles of Innovation (technologization of agriculture, crop rotation and fallow systems), Green Development (environmentally-friendly agriculture etc.), and Coordination (scaled-up agricultural operations and farming cooperatives, land transfers to larger agricultural businesses, guidance for farmers). China has the world's largest consumer market for food and beverages. Developments in this industry will drive several chemical sectors: fertilizers (organic fertilizers, green, high-yield, cost-efficient crops), flavors and fragrances (high demand for food flavors and organic flavors as food-processing is promoted to extend the food-production chain), agrochemicals (new crops and machinery will slow down growth in demand for herbicides), and other specialties (growing need for antioxidants, sweeteners and other food additives to meet demand for high-quality food and for food processing).

COMMUNICATIONS & ELECTRONICS

In the communications and electronics industry, we think the 13th Five-Year Plan will have only a medium impact. This impact will mainly relate to the principles of Innovation (the "Internet Plus" initiative), Opening Up (a transparent international Internet governance system), Green Development (lower energy and rare-earth magnet consumption), and Coordination (platforms for crowd innovation and support, sourcing and funding). Developments in this industry will drive three chemical sectors in particular: industrial gas (oxygen, nitrogen and argon for use in semiconductors, flat-panel displays, and thin-film solar panels), engineered plastics (plastic screens for scratch-resistant, lightweight screens and claddings), and other specialties (semiconductors for energy-efficient LED screens, polyphenylene vinylene for bendable, lightweight OLED screens, optical fiber cables providing high-speed, long-distance data connections, and graphene, copper and aluminum for RFID chips).



Chinese chemical sectors will grow by between 5 and 9% a year over the next five years. Under certain conditions.

Having looked at the broader picture, let's now zoom in on the detail. What impact will China's planned reforms have on specific segments of the chemical industry in the years 2015 to 2020? How big are the different market segments and how fast do we think they will grow? What do the different sectors need to do in order to achieve the "new normal"?

First of all, it's worth reminding ourselves just how massive the chemical market in China is. In our recent study Chemicals 2035, we forecast that the Chinese chemical market will be worth a staggering EUR 1.3 trillion in 2025. It will account for a sizeable chunk of the global market – 33 percent, to be precise. That's a slice of the cake which global players cannot afford to ignore.

In our analysis we divide the industry up into 12 different segments. We forecast annual growth rates for each segment to be in the range of 5-9 percent over the next five years. We think the strongest growth will be in industrial gas (9 percent), followed by paints and coatings (8 percent). A short distance behind them will come agrochemicals, and flavors and fragrances (both 7.5 percent). → C

Rather than going into full detail on each of the twelve sectors, we chose three sectors to discuss below that we find particularly interesting. They are as follows: petrochemicals, the largest individual sector in value terms today; fertilizers, the second-biggest sector; and industrial gas, the fastest-growing sector going forward.

PETROCHEMICALS represent the largest individual sector in the Chinese chemical market. Its value in 2015 was around EUR 122 billion. For the period 2015-2020, we forecast a CAGR of almost 6 percent. Between 2015 and 2025, in the "new normal" scenario, we predict that petrochemicals' share of the total value of the Chinese chemical market will remain stable at 17 percent, while the value of the sector overall will increase by EUR 81 billion.

C

CHEMICAL SECTOR IN CHINA

Annual growth rates in Chinese chemicals are in some cases as high as 9 percent.

	Market value 2015 [EUR bn]	CAGR 2015 - 2020 [in %]
Petrochemicals	122	5.9
Fertilizers	107	4.9
Commodity plastics	69	6.2
Consumer chemicals	50	5.9
Paints & coatings	46	8.0
Industrial gas	38	9.0
Agrochemicals	36	7.5
Engineered plastics	26	5.9
Inorganics	26	5.3
Synthetic rubbers	16	5.1
Flavors & fragrances	1	7.5
Other specialties	193	5.4

Source: Roland Berger

To achieve the "new normal" scenario, China is developing its production of commodity polymers, engineered polymers, and synthetic rubbers into a sector with high-end material output marked by quality and innovation. Beijing plans to make the necessary reforms to drive GDP: implement the two-child policy, equalize prosperity, enforce effective anti-corruption policies, liberalize markets, protect property rights, and so on. It will also be expanding infrastructure and networks as outlined in the 13th Five-Year Plan.

Sinopec (China Petroleum & Chemical Corporation), the major state-owned oil and gas company, is a good example of what forward-looking firms can do. To boost efficiency and cut costs, Sinopec has turned its Jiujiang facility into a "smart refinery", introducing state-of-the-art software and hardware and implementing modern communication technologies, including remote communication technologies from Huawei for safety monitoring and real-time communication with workers in the field. Using digitization, it has reduced the number of employees per machine by 12 percent and employees per work shift by 13 percent while maintaining high levels of productivity. It has also managed to reduce emissions.

FERTILIZERS form the second-largest sector in the Chinese chemical market today. The fertilizer market was worth around EUR 107 billion in 2015. For the period 2015-2020, we foresee a CAGR of approaching 5 percent – lower than the other sectors in our analysis but still higher than the global growth rate of 3.7 percent (for comparison, the growth rate in North America and Europe is around just 1 percent). Between 2015 and 2025, if the "new normal" scenario is realized, we believe that the value of the sector will increase by EUR 60 billion.

What is China doing to achieve the "new normal" scenario in fertilizers? The country will need to implement efficient forms of agribusinesses and more cost-efficient crops right across its agro-industry. Access must be ensured to the latest machinery in the agricultural sector. Previously unsuitable agricultural land needs to be developed. Information about which crops and breeds of animal are currently required, as well as climate conditions, can be spread via the Internet as part of the "Internet Plus" initiative. Modern agricultural techniques such as crop rotation will be adopted to improve sustainability of use. The logistics for fresh agricultural products will be improved and the focus placed on the "most efficient" crop.

Yuntianhua, which produces and distributes fertilizers, chemical materials and products, offers a good example of the use of advanced product features. The firm has launched a pilot offering customized fertilizers to its customers. Customers provide information about where they plan to use the fertilizer, the type of crop, and the volume they require. Using this data, the company calculates the optimal fertilizer formulation based on a Chinese soil and crop database. The online or offline retailer then mixes the fertilizer according to the formulation and the customer picks up the product immediately or has it delivered via Yuntianhua's logistics network.

INDUSTRIAL GAS is our third and final sample sector. Industrial gas is interesting because it is set to be the fastest-growing sector in the coming years. The market is currently worth around EUR 38 billion (2015) and we forecast a massive 9 percent CAGR for the period 2015-2020, a rate well above forecast GDP. Between 2015 and 2025, in the "new normal" scenario, we believe that the value of the industrial gas sector will rise by EUR 47 billion.

To realize the "new normal", China plans to upgrade its manufacturing sector under the "Made in China 2025" initiative. It will develop its machinery and electronics sector from at present mostly low-end, to mid-market and high-end, in order to stimulate growth in the industrial gas segment, in particular the demand for ultrapure gases. The "Internet Plus" initiative and the expansion of IT infrastructure will be critical, as will the reforms needed to drive GDP (see Petrochemicals, above).

One example of the type of action being taken is the creation of the first industrial gas supply chain integration management platform in China, Feifan Qishi (literally "excellent gas city" – www.ffqs.com). The platform mainly focuses on business transactions for industrial gas, logistics optimization for gas supply, transaction information matching, and resource collaboration. New business models such as this will accelerate innovation in the industrial gas market.

Multiple opportunities are opening up for chemical companies. Astute players will seize the moment to develop and secure market share.

Let's recap. We've looked at what China is planning to do to keep its economy airborne, in the shape of the reforms and policies of the 13th Five-Year Plan. Implement these measures successfully and the country will achieve the "new normal". We've examined what these reforms mean for three sample sectors in the chemical industry: petrochemicals, fertilizers, and industrial gas. Now it's time to turn to the implications for players in the chemical markets and look at what opportunities the changing landscape offers.

The 13th Five-Year Plan will impact the Chinese chemical industry in multiple ways. The Plan's growth-driving reforms and policies – if, of course, Beijing can successfully implement them – will mitigate China's economic slowdown to some extent. They will not, however, reverse it entirely. In the "new normal" scenario, we forecast that China's chemical industry will grow stably, albeit more slowly than in the past: annual average growth will drop from 7.2 percent (2010-2015) to 6 percent (2020-2025). This slowdown could lead to increased competition between existing chemical players and will inevitably put further pressure on profit margins. → D

It is worth pointing out that opinions differ on whether Beijing will, in fact, be able to systematically implement the 13th Five-Year Plan's strategic priorities and attain its growth targets. Opinions are somewhat more skeptical among European and US businesses than in China. Western analysts point out that China's innovative capabilities are yet to be proven in the mid term, and that experiences with the previous Five-Year Plan – the twelfth – cast some doubt on how far the new plan can be successfully implemented. The view in China is understandably more optimistic. In terms of the country's innovative capabilities, for example, it is apparent that China has already overtaken major European countries on digitization. China is also well aware that "new normal" growth could lead to political as well as economic stability, and hence more sustainable wealth.

D

THE CHINESE ECONOMY IS IN THE MIDDLE OF A TRANSITION

Opinions differ, but we are optimistic that China will achieve the "new normal" growth model

TODAY		TOMORROW
Exports and stateside investment	**DRIVERS OF GROWTH**	Domestic consumption and stateside investment
Quantity and dynamic growth	**FOCUS**	Quality and sustainability
Economic progress	**GOAL**	Improvement of quality of life
Resource-intensive industries	**INDUSTRIES**	Knowledge industries
Industry	**MOST IMPORTANT SECTOR**	Services
Own and control	**MODE OF REGULATION**	Privatize and regulate
Via joint ventures	**MARKET ACCESS FOR FOREIGN COMPANIES**	With higher local content

Source: Roland Berger

Assuming that China does manage to systematically implement the new Plan's strategic priorities and keep its economy airborne, what are the opportunities for national and international players in the chemical industry?

FIRST AND FOREMOST, we identify attractive opportunities in the mid sector. The shift from low-end (commodity and bulk chemicals) to high-end chemical sectors (specialty chemicals, such as pesticides, electronic chemicals, specialty polymers, coatings) opens up significant opportunities for expansion of the Chinese mid sector. To capture these opportunities and gain a competitive edge, one option for multinational corporations is to create a fruitful symbiosis with strongly positioned local Chinese companies in areas such as value-chain integration, collaboration over research and development, or localized supply chain.

THE UPSTREAM (e.g. crude oil, natural gas, industrial fuels) has limited attractiveness for both Chinese and Western companies. Here, we expect to see increases in efficiency and a reduction of capacity; for example, the formerly integrated player DSM has exited the upstream monomer business (caprolactam and acrylonitrile) by forming a joint venture with CVC, while retaining its nylon 6 polymerization and downstream compounding businesses. Fewer subsidies and tax benefits are available from the Chinese government for upstream investments by multinationals that in the past. Some Western companies have even been selling their assets to Chinese companies, as in the case of ICL's recent sale of Clearon to Hui Yu Xin American Corp., a subsidiary of Dalion.

DOWNSTREAM (e.g. specialty products such as detergents) the picture is altogether different. China is interested in downstream specialty chemicals, so Western companies would be well advised to build up their specialty competencies in China. CABB, for example, has recently opened a new plant producing high-purity MCA, whereas many Chinese companies are already active in lower-purity MCA. Chinese firms are also busily acquiring Western high-tech companies: ChemChina (China National Chemical Corporation) has bought Pirelli, KraussMaffei and is in final-stage negotiations with Syngenta.

The 13th Five-Year Plan also creates other opportunities for national and international firms. Reinforced by the stricter emission targets in the Plan, Green Development has the potential to affect several sectors of the chemical industry. Indeed, as environmentally-friendly solutions increasingly become a matter of priority in China, the provision of greener, more sustainable chemical applications presents a golden opportunity for astute players to develop and secure market share.

Finally, exciting opportunities are to be found in the area of digitization. China's "Internet Plus" initiative sets the framework for the digitization of Chinese industry. Industry 4.0 has the potential to create considerable added value for the chemical industry, through factors such as increased efficiency and productivity, more flexible supply chains, innovation in digital products, services and business models, and greater customer proximity. Again, successful players will exploit these opportunities to the full.

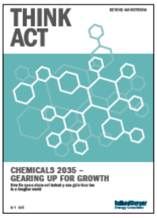
CONCLUSION

Where does this leave us? We believe that Beijing will manage to keep the dragon flying, albeit not quite as fast as in recent decades. Implementing the reforms and policies of the 13th Five-Year Plan will keep the Chinese economy strong and maintain growth rates in the chemical industry that will still surpass the global average. Difficulties such as overcapacity, caused by an overoptimistic mindset in the past, will need to be dealt with. But China is on course to achieve the "new normal" growth scenario. And that will create multiple opportunities for national and international chemical players who are ready to seize the day.

ABOUT US

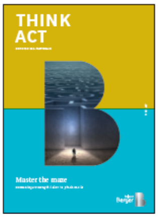
Roland Berger, founded in 1967, is the only leading global consultancy of German heritage and European origin. With 2,400 employees working from 34 countries, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. The consultancy is an independent partnership owned exclusively by 220 Partners.

FURTHER READING



CHEMICALS 2035 – GEARING UP FOR GROWTH:
How Europe's chemical industry can gain traction in a tougher world

The market for chemical products is expected to grow to some 5.6 trillion euros by 2035. But the industry's dynamism is set to wane: growing at an average annual pace of 4.1% now, the chemicals market will expand by just 3.6% per year between 2030 and 2035.



MASTER THE MAZE
Formulating a winning digital strategy in chemicals

Digitization. The word seems to be on everyone's lips, from market pundits to industry thought leaders. And leaves many executives in the chemical industry wondering what happened to the asset-intensive industry they used to know.

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CHINA SUBSIDY EXCHANGE

China Subsidies and Related Developments Affecting Global Trade

China Issues 13th Five Year Plan for the Petrochemical and Chemical Industry

October 25, 2016
by: Lingna Yan

On October 18, 2016, the Ministry of Industry and Information Technology of China ("MIIT") issued the *Petrochemical and Chemical Industry Development Plan (2016-2020)* **to guide the petrochemical and chemical industry's development for the 13th Five Year period covering from 2016 to 2020. The** *Plan* **aims to maintain the annual growth of the industry value added at 8% on average and have 4.9% of profit margin by 2020. The** *Plan* **gives priority to following areas for the next five years: promoting innovation; urging traditional industries to transform and upgrade; developing new chemical materials; promoting smart manufacturing; strengthening the safety of hazardous chemicals; regulating and improving industrial parks/zones; promoting the construction of major projects; and expanding international cooperation. As supporting measures, the** *Plan* **calls for coordinating fiscal, taxation, financial, and trade policies with the industrial policy, implementing the bank-enterprise cooperation policy, increasing financing support for key enterprises and key projects, using existing government funds to continue supporting industrial upgrade and technology renovation projects.**

OTHER RESOURCES

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Industries (http://en.xfafinance.com/html/Industries/) > Energy (http://en.xfafinance.com/html/Industries/Energy/)

CPCIF unveils guidelines for petrochemical industry in 2016-2020

Xinhua Finance in BEIJING

2016-04-13 14:27

The China Petroleum and Chemical Industry Federation (CPCIF), an industry organization leading the composition of 13th Five-Year Plan on petrochemical industry, on Tuesday unveiled guidelines for development of the petrochemical industry in the 13th Five-Year Plan period (2016-2020) at an industry conference.

Under the guidelines, during the period, the industry's annual average growth is expected to record single-digit numbers and proportion of the new petrochemical materials will increase obviously.

The country tries to make proportion of the natural gas to the domestic primary energy consumption near or reach 9 percent by

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2020, and seek breakthroughs in key exploration and development technologies to effectively reduce production costs, and also further improve the industry policy and price mechanism for the natural gas.

In terms of the infrastructure, China will steadily promote construction of crude oil and product oil pipelines, vigorously enhance the ability of strategic oil reserves, and accelerate construction of the natural gas pipeline network and the multi-layered natural gas reserve peak-shaving system.

By the end of 2020, the country aims to bring length of the crude oil and product oil pipelines to 65,000 km and the natural gas pipelines to 107,000 km, build new and expand 21 LNG terminals, and bring the receiving capacity of LNG terminals to more than 85 million metric tons (tonnes) annually.

Meanwhile, China will make efforts to optimize the industrial distribution and raw material structure in the petrochemical industry, promote development of high-end petrochemical products, and also strictly curb growth of newly-added petroleum refining capacity, and make the domestic petroleum refining capacity stabilize around 850 million tonnes by 2020.

In the new petrochemical materials field,

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10 China, Nigeria hold discussion on strengthening agricultural

China will accelerate R&D of the engineering plastics such as polycarbonate (PC) and polyarylene ether ether nitriles (PEEN), and high-end polyolefin resins phenyl organosilicon monomer, and actively develop rubber and new-type thermoplastic elastomer (TPE) with special performance.

In addition, the country will carry out the modern coal chemical projects and industrialization upgrading demonstration projects. It will also try to bring output of the biomass fuel ethanol and biodiesel to 5 million tonnes and 2 million tonnes, respectively, by the end of 2020.

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TEMPORARY PROVISIONS ON PROMOTING INDUSTRIAL STRUCTURE ADJUSTMENT

State Council

Decision of the State Council on Promulgating and Implementing the "Temporary Provisions on Promoting Industrial Structure Adjustment"

No. 40 [2005] of the State Council

The people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government, all ministries and commissions as well as all organs directly under the State Council:

The "Temporary Provisions on Promoting Industrial Structure Adjustment" (hereinafter referred to as the "Temporary Provisions"), which were deliberated and adopted at 112th executive meeting of the State Council on November 9, 2005, are hereby promulgated.

The formulation and implementation of the "Temporary Provisions" is an important measure to carry out the spirit of the fifth plenary session of the 16th CPC Central Committee, to achieve the objective of the "Eleventh Five-year" planning, and has great significance to ensure the all-round implementation of the scientific view of development, to strengthen and improve macro-control, to further transform the ways of economic growth, to propel industrial structure adjustment, optimization and upgrading, and to keep the stable and fast development of the national economy. The people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government shall take the promotion of industrial structure adjustment as an important reform and development task at present and within a period in the future, establish the liability system, lay emphasis on implementation, and shall, in accordance with the "Temporary Provisions" and in light of the local situation on industrial development, formulate specific measures, rationally guide the investment directions, encourage and support the development of advanced production capacities, restrict and eliminate outdated production capacities, prevent blind investments and low-level redundant construction, and effectively propel industrial structure optimization and upgrading. All relevant administrative departments shall speed up the formulation and amendment of policies on public finance, taxation, credit, land, import and export, etc., effectively intensify the coordination and cooperation with industrial policies, and further improve and promote the policy system on industrial structure adjustment. The people's governments of all provinces, autonomous regions, and municipalities directly under the Central Government, the relevant administrative departments of the state for development and reform, public finance, taxation, state land resources, environmental protection, industry and commerce, quality inspection, banking supervision, electric power supervision, work safety supervision, as well as the administrative departments of all industries, etc. shall establish and improve the mechanism of organization and coordination, supervision and inspection for the industrial structure adjustment work, perform their respective duties, cooperate with each other closely, form a resultant force, and effectively intensify the effectiveness of implementing industrial policies. The relevant governments and departments shall, when implementing the "Temporary Provisions", correctly deal with the relationship between government guidance and market regulation, give full play to the fundamental role of the market in allocating resources, correctly deal with the relationship between development and stability, partial interests and overall interests, and immediate interests and long-term interests, so as to keep the stable and fast development of the economy.

The State Council

December 2, 2005

Temporary Provisions on Promoting Industrial Structure Adjustment

Chapter I General Provisions

Article 1

The present Provisions are formulated in accordance with the relevant laws and administrative regulations of the state for the purpose of ensuring the all-round implementation of the scientific view of development, strengthening and improving the macro-control policy, guiding social investments, and promoting industrial structure optimization and upgrading.

Article 2

Objectives of Industrial Structure Adjustment:

We shall propel industrial structure optimization and upgrading, to promote the healthy and harmonious development of the first, second and third industries, gradually to form the industry pattern with agriculture as the base, hi-tech industry as the forerunner, and basic industry and manufacturing industry as the support, and the service industry developed in an all-round way, to realize sustainable development by adhere economize development, clean development and safe development..

Article 3

Principles of Industrial Structure Adjustment:

We shall adhere to combine market regulation with government guidance. We shall give full play to the fundamental role of the market in allocating resources, to strengthen the reasonable guidance of state industrial policies, and to realize optimized allocation of resource.

Improving the industrial technological level through independent innovation. We shall regard the enhancement of independent innovation capabilities as the central element of adjusting the industrial structure, establishing a technical innovation system combining the production, study and research which the enterprises as the principal part and the market as the guidance,. We shall make great efforts to enhance the original innovation capabilities, integrated innovation capabilities, and the capabilities of import, digestion, absorption and re-innovation, and shall improve the overall industrial technological level.

Adhering to walking a new road to industrialization. We shall drive industrialization with informatization, and promote informatization with industrialization; walk a safeguarded development road with high scientific and technological contents, promising economic benefits, low consumption of resources, little environmental pollution, and full human resource advantages, and endeavor to propel the fundamental transformation of the way of economic growth.

Promoting coordinated and healthy development of industries. We shall develop advanced manufacturing industry, increase the proportion and the level of the service industry, strengthen infrastructural construction, optimize industrial structure and layout of urban and rural region, optimize the structure of foreign trade and foreign capital utilization, maintain the lawful rights and interests of the masses, endeavor to boost employment, and propel the harmonious economic and social development.

Chapter II Directions and Key Points of Industrial Structure Adjustment

Article 4

Consolidating and strengthening the basic status of agriculture, and speeding up the transformation of traditional agriculture into modern agriculture. We shall speed up agricultural S&T progress, strengthen the construction of agricultural facilities, adjust the agricultural production structure, transform the way of agricultural growth, and enhance the comprehensive agricultural production capacities. We shall stabilize and develop grain production, speed up the implementation of high-quality grain industry projects, build large commodity grain production bases, and guarantee the grain safety. We shall optimize the agricultural production layout, propel industrialized operation of agricultural, , speed up agricultural standardization, promote the value adding on processing conversion of agricultural product , and develop high-yield, high-quality, high-efficiency, ecological and safe agriculture. We shall make great efforts to develop animal husbandry, improve the level of scale production, intensification and standardization, protect natural grasslands, and build forage grassland bases. We shall actively develop aquaculture, protect and reasonably utilize fishery resources, extend green fishery breeding modes, develop high-efficiency ecological breeding industry. We shall develop the bases of raw materials forests and timber forest in light of local circumstances, and increase the rate of comprehensive utilization of timbers. We shall strengthen water conservancy construction of farmlands, improve low and medium-yielding fields, and do a good job in land rehabilitation. We shall improve the level of agricultural mechanization, and improve the agricultural technology extension, agricultural product markets, agricultural product quality safety, and the animal and plant disease and pest prevention and control system. We shall actively adopt water saving irrigation, scientifically use fertilizers and pesticides, and promote sustainable development of agriculture.

Article 5

Strengthening the construction of infrastructures such as energy, traffic, water conservancy and information network, etc., and enhancing the guaranteeing capacities for economic and social development.

We shall adhere to the principles of giving priority to economize, base on domestic, coal resources to be the basic, diversified development, optimize the energy structure, and establish a energy supply system on stable, economic and clean . We shall optimize and develop coal electricity by stressing large-type high-efficiency sets, orderly develop hydro-electric power on the basis of ecological protection, actively develop nuclear power, strengthen electric power network construction, optimize the structure of electric power network, and enlarge the scale of West-to-East power transmission. We shall build large-type coal bases, adjust and transform medium and small coal mines, firmly eliminate the small coal mines failing to meet work safety conditions and wasting or destroying resources, speed up comprehensive utilization of such resources as coal waste rocks, coal bed gas, mine drainage, etc., and encourage coal-electricity joint operation. We shall develop both petroleum and gas industry simultaneously, make greater efforts to explore, develop and utilize petroleum and natural gas resources, enlarge overseas cooperation and development, and speed up infrastructural construction in the areas of petroleum and natural gas. We shall actively support and develop new energy and renewable energy industries, encourage the development and utilization of substitute resources for petroleum and clean energy, and actively propel the industrialization of clean coal technology, and speed up the development of wind power, solar energy, and biomass energy, etc.

We shall, by stressing network enlargement, form a convenient, expedite, high-efficiency, safe comprehensive traffic and transport system. We shall, by adhering to the overall planning and reasonable layout, realize mutual complement of advantages of the transporting modes and connection each other by railway, highway, water carriage, civil aviation, and pipeline, etc., and exert the combination efficiency and holistic advantage We shall speed up the development of railways and urban track traffic network, emphatically build special passenger transport avenues, coal transport channels, regional channels , and railways in Western Regions. We shall perfect the major arterial of national highways and arterial highways in Western Regions, build national expressway network, and make great efforts to propel the construction of rural highways. We shall give priority to the development of urban public traffic, strengthen the construction of deepwater harbors for containers, energy resources materials and ores, and develop inland water navigation. We shall enlarge large-scale airports, improve medium-scale airports, increase small-scale airports, and build up a harmoniously developing airport system with reasonable layout, appropriate scale and complete functions. We shall strengthen the construction of pipeline transport.

We shall strengthen water conservancy construction, and optimize water resource allocation. We shall make a unified planning to distribute the water resources on upriver and downriver, surface r and underground, control the exploitation of underground water, and actively develop seawater desalting. We shall strengthen flood prevention and drought-resistant project construction, intensify the construction to lessen the weak points in flood prevention and disaster reduction by stressing the reinforcement of embankment, key controlling water conservancy projects and other flood prevention systems, continue reinforcing the backbone engineering construction for trunk embanking of big rivers, flood passage or storage basins, eliminating the dangers and establishing of dangerous reservoirs, and urban flood prevention. and construct the South-North Water Diversion Project. We shall intensify our efforts in constructing and transforming drinking water projects for both people and stock and the auxiliary projects in irrigation areas.

We shall strengthen the construction of information infrastructures such as wide band communication network, digital television network and the next generation of Internet, etc., propel the integration of the three kinds of networks, and improve the information safeguarding system.

Article 6

Developing advanced manufacturing industry as the keystone for vitalizing equipment manufacturing industry, and exerting its important supporting function to the economic development.

The equipment manufacturing industry shall depend on major construction projects, improve the localization level on important technical equipment through independent innovation, technology import, cooperative development, combined manufacturing, etc., break through especially in the areas such as high-efficiency clean power generation and power transmission and transformation, large petroleum chemical and advanced applicable transport equipment, high-class numerical control machine tools, automation control and integrated circuit equipment, advanced power equipment, energy conservative and consumption reducing equipment, etc., improve the overall level of research and development design, supply, processing, manufacturing, and systematic integration of core elements and parts.

We shall adhere to driving industrialization with informatization, encourage the adoption of hi-techs and advanced applicable technologies to transform and enhance the manufacturing industry, and increase the proportions of independent intellectual property rights, independent brands and high-end products. We shall, in light of the energy and resource conditions as well as environmental capacity, emphatically adjust the product structure in the raw material industry, enterprise organization structure and industry layout, and improve product quality and technical content. We shall support the development of cold rolled stainless steel sheets, cold rolled silicon steel, high-density phosphate fertilizer, high-efficiency low-toxic and less-persistent pesticides, ethylene, fine chemical industry, and high-performance differentiated fibers. We shall urge the industries of oil refining, ethylene, steel, cement and paper making to develop towards bases and large scale. We shall strengthen the geological survey of important resources such as iron, copper and aluminum, etc., increase the geological reserve of resources, and practice rational exploitation and comprehensive utilization.

Article 7

Speeding up the development of hi-tech industry, and further strengthening the driving function of hi-tech industry to economic growth.

We shall enhance independent innovation capabilities, endeavor to grasp core and key technologies, make great efforts to develop the hi-techs which are of great importance to driving economic and social development, support and develop major industry technologies, formulate important technical standards, build technical bases for independent innovations, speed up the extension of hi-tech industry from processing and assembling mainly to independent research and development. We shall, in light of the requirements on industry gathering, scale development and enlargement of international cooperation, make great efforts to develop industries in the areas of information, biology, new materials, new energy, aviation and spaceflight, etc., and cultivate more new economic growth points. We shall give priority to developing information industry, make great efforts to develop core industries of integrated circuits and software, etc., emphatically cultivate information industry clusters in respect of digital audio and video frequency, the new generation of mobile communication, high-performance computer and network equipment, etc., strengthen information resource development and sharing, and propel the dissemination and application of information technologies. We shall exert fully to China's special resource advantages and technical advantages, emphatically develop biologic industries such as bio-agriculture, bio-medicine, bio-energy, bio-chemical industry, etc. We shall speed up the development of civil aviation and space industry, propel the development and industrialization of civil aircrafts, aeroengines and airborne systems, and further develop civil space technologies and satellite technologies. We shall actively develop new materials industry, support and develop the photoelectron materials which have technical characteristics and may exert the comparative advantages in China, as well as products such as materials with high-performance structure and special new functions.

Article 8

Increasing the proportion of the service industry, optimizing the structure of the service industry, and promoting the all-round and rapid development of the service industry. We shall adhere to the directions towards market, industrialization and socialization, strengthen the classified guidance and effective supervision, further innovate and improve the systems and mechanisms for service industry development, and establish a public, equal and regular industry access system. We shall develop large service enterprise groups with strong competitive strength, the big cities shall put the development of the service industries on a prior status, and the conditioned big cities shall gradually form an industrial structure mainly composed of service economy. We shall increase service varieties, improve the service level, and enhance the employment capacity and industrial quality. We shall make great efforts to develop modern service industries on finance, insurance, logistics, information and legal services, accounting, intellectual property rights, technology, design, consulting service and etc. , actively develop the industries with big potential demands such as cultural, tourism, and community service, etc., and speed up the reform and development in the areas of education, training, services provide for the aged, medical treatment, health care, etc. We shall regulate and enhance traditional service industries such as commercial trade, catering and accommodation, etc., propel such organizational forms and service modes as chained operation, franchise, agency system, multi-modal transport, and electronic commerce, etc.

Article 9

Making great efforts to develop circular economy, building a resource saving and environment-friendly society, and realizing the harmony of economic growth and population resource environment. We shall adhere to the guidelines of stressing both development and economize but giving priority to the latter, and in compliance with the reduction-based, re-utilization, resource-based principles, make great efforts to propel the economize of energy, water, land and materials, strengthen comprehensive utilization of resources, promote all-round clean production, improve a renewable resource recycling and utilization system, and form a low-cost, low-consumption, low-discharge and high-efficiency economize way of growth. We shall actively develop and spread resource economizing , substitutive and circular utilization technologies and products, emphatically propel the transformation of energy economizing and consumption reducing technologies in the industries of steel, non-ferrous metal, electric power, petroleum chemistry, construction, coal, building materials, paper making, etc., develop energy economizing and land saving buildings, applying mandatory elimination system to the techniques and products with high energy consumption, serious pollution, work safety endangering, and outdated technologies, and lawfully close up enterprises that destroy environment and fail to meet work safety conditions. We shall adjust the scale of industries with high energy consumption and serious pollution, and decrease the proportion of such industries. We shall encourage the production and use of various consumables with good economizing performance, and form a consumption mode of economizing resources. We shall make great efforts to develop the environmental protection industry, and intensify the ecological protection of water resources, land, forests, grasslands, and sea, etc. by stressing the control of unreasonable resource development.

Article 10

Optimizing the industrial organizational structure, and adjusting the regional industrial layout. We shall improve the enterprises' level of economy of scale and the extent of their industrial concentration, speed up the development of large enterprises, and form a group of large companies and enterprise groups with independent intellectual property rights, prominence on main professional work , and strong core competitive capacity. We shall give full play to the functions of medium and small enterprises, propel medium and small enterprises to form the work division and coordination relationship with large enterprises, improve their professional level of production, and promote the technical progress and industry upgrading of medium and small enterprises. We shall fully exert the comparative advantages, actively propel rational flow and allocation of production factors, and guide clustered development of industries. The Western Regions shall strengthen infrastructural construction and ecological environmental protection, improve public services, develop characteristic industries and enhance their self-development capabilities in light of local resource advantages. The Northeastern Regions shall speed up the industrial structure adjustment and state-owned enterprise reform and restructuring, develop modern agriculture, emphatically promote the equipment manufacturing industry, and promote the transformation of resource-exhausted cities. The Middle Regions shall do a good job in the construction of main grain-producing areas, develop energy and manufacturing industries with comparative advantages, strengthen infrastructural construction, and speed up building a modern market system. The Eastern Regions shall endeavor to improve independent innovation capabilities, speed up realizing the optimization and upgrading of structure and the transformation of the way of growth, improve the level of global-market-oriented economy, and enhance the international competitive capability and sustainable development capacity. They shall, by starting from the overall strategy layout of regional development, and on the basis of the bearing capacities of resources and environment as well as the development potentiality, adopt different regional industry layouts of optimized development, key development, restricted development and prohibited development, etc.

Article 11

Implementing the mutual-benefit and win-win opening strategy, improving the level of opening up, and promoting domestic industrial structure upgrading. We shall speed up transforming the way of foreign trade growth, enlarge the export of commodities with independent intellectual property rights and independent brands, control the export of products with high energy consumption and high pollution, and encourage the import of advanced technologies, equipment and resources in short supply in China. We shall support conditioned enterprises to "Go Global", and to develop and grow up in international market competition, and drive the development of domestic industries. We shall improve the industrial level of processing trade, and enhance the domestic capacity of coordinated production. We shall make great efforts to develop service trade, continue opening service markets, and orderly undertake the transfer of international modern service industries. We shall improve the quality and level of utilization of foreign capital, emphatically import advanced technologies, management experiences and high-quality talents, and pay attention to the digestion, absorption, innovation and improvement of the imported technologies. The regions and development zones which have strong capacities of absorbing foreign investments shall emphatically improve the level of production and manufacture, and actively extend to the areas of research, development, and modern logistics, etc.

Chapter III Guidance Catalogue for the Industrial Structure Adjustment

Article 12

The "Guidance Catalogue for the Industrial Structure Adjustment" is the important basis for guiding investment directions, and for the governments to administer investment projects, to formulate and enforce policies on public finance, taxation, credit, land, import and export, etc.

The "Guidance Catalogue for the Industrial Structure Adjustment" shall be formulated in accordance with the relevant laws and regulations of the state by the State Development and Reform Commission jointly with the relevant administrative departments of the State Council, and be promulgated upon approval of the State Council. If, when required by the actual situation, the "Guidance Catalogue for the Industrial Structure Adjustment" needs to be partially adjusted, it shall be timely amended and promulgated by the State Development and Reform Commission jointly with the relevant administrative departments of the State Council.

In principle, the "Guidance Catalogue for the Industrial Structure Adjustment" shall apply to various types of enterprises inside China. The foreign funded enterprises shall be governed by the "Guidance Catalogue for the Foreign Investment Industries". The "Guidance Catalogue for the Industrial Structure Adjustment" is the one of main basis for amending the "Guidance Catalogue for the Foreign Investment Industries". The industries of the eliminated category under the "Guidance Catalogue for the Industrial Structure Adjustment" shall apply to the foreign-funded enterprises. The policy connection problem in implementing between the "Guidance Catalogue for the Industrial Structure Adjustment" and the "Guidance Catalogue for the Foreign Investment Industries" shall be subject to the investigation and deliberation by the State Development and Reform Commission and the Ministry of Commerce.

Article 13

The "Guidance Catalogue for the Industrial Structure Adjustment" is composed of three categories of industries, namely, the encouraged category, the restricted category and the eliminated category. The industries not belonging to the encouraged category, the restricted category or the eliminated category, but conforming to the relevant laws, regulations and policies of the state, shall belong to the permitted category. The permitted category shall not be listed into the "Guidance Catalogue for the Industrial Structure Adjustment".

Article 14

The encouraged category mainly include the key technologies, equipment and products to have important promoting functions to economic and social development, to conducive to resource saving, environmental protection, and industrial structure optimization and upgrading, and require to be encouraged and supported by policies and measures,. The following principles shall be applied to determine the guidance catalogue for the encouraged industries:

(1)

Having technical base for research, development and industrialization in China, and being conducive to technical innovations and forming a new economic growth point;

(2)

Having large market demands and a wide development prospect at present and within a period in the future, and being conducive to improving the capacity of supplying commodities in short supply, and conducive to developing domestic and overseas markets;

(3)

Having high technical content, and being conducive to promoting industrial technical progress and improving the industrial competitive strength;

(4)

Meeting the requirements of the sustainable development strategy, being conducive to the work safety, conducive to economize and comprehensive utilization of resources, conducive to the development and utilization of new energy and renewable energy, conducive to improving energy efficiency, and conducive to protecting and improving ecological environment;

(5)

Being conducive to exert China's comparative advantages, especially the advantages of energy, mineral resources and labor resources, etc. at the old industrial bases in the Middle and Western Regions and the Northeastern Regions. ;

(6)

Being conducive to boosting employment, and increasing job positions; and

(7)

Other circumstances prescribed in laws and administrative regulations.

Article 15

The restricted category mainly include the production capacities, industrial arts and techniques, equipment and products which have outdated industrial arts and techniques, do not meet the admittance conditions of industry or the relevant provisions, are unconducive to industrial structure optimization and upgrading, and need to be transformed under press or prohibited from being newly built. The guidance catalogue for the restricted industries shall be determined in compliance with the following principles:

(1)

Not conforming to the admittance conditions of industry , with outdated industrial arts and techniques, and of no use to improve the industrial structure;

(2)

Being unconducive to work safety;

(3)

Being unconducive to economize of resources or energy;

(4)

Being unconducive to environmental protection or resumption of the ecological system;

(5)

Being under serious low-level redundant construction, and with obviously surplus production capacities; and

(6)

Other circumstances prescribed in laws and administrative regulations.

Article 16

The eliminated category mainly include the outdated industrial arts and techniques, equipment and products which do not conform to the relevant laws and regulations, seriously waste resources, pollute environment, do not meet the work safety conditions, and need to be eliminated. The guidance catalogue for the eliminated industries shall be determined in compliance with the following principles:

(1)

Endangering production and personal safety, and not meeting the work safety conditions;

(2)

Seriously polluting the environment or seriously destroying the ecological environment;

(3)

The product quality is lower than the minimum standard prescribed by the state or the industry;

(4)

Seriously wasting resources or energy; and

(5)

Other circumstances prescribed in laws and administrative regulations.

Article 17

The encouraged investment projects shall be examined, approved, ratified or archived in accordance with the relevant provisions of the state on investment administration. All financial institutions shall provide credit supports in compliance with credit principles. The equipment imported within the total amount of investments for self use, except for the commodities listed in the "Catalogue of Non-tax Free Imported Commodities for Domestic Investment Projects (Amended in 2000)" promulgated by the Ministry of Finance, shall still be exempted from customs duties and import value-added tax, and shall, after the new provisions such as the catalogue of investment projects on non-exempted tax have been promulgated, be governed by such new provisions. As for other preferential policies on encouraged industry projects, the relevant provisions of the state shall be applied.

Article 18

The new investments project under the restricted category shall be prohibited.. The investment administrative department shall not examine, approve, ratify or archive the projects under the restricted category. No financial institution shall grant loans for such projects, and no administrative department of land administration, urban planning, construction, environmental protection, quality inspection, fire prevention, customs, or industry and commerce, etc. shall handle the relevant procedures for such projects. In case of any violation of the provisions to carry out construction based on investment or financing, the relevant entities and persons shall be subject to liabilities.

With respect to the existing production capacities under the restricted category , the enterprises shall be allowed to, within a certain period, take measures to transform or upgrade themselves, and the financial institutions shall, in compliance with the credit principles, continue providing supports. The relevant administrative department of the state shall, when required by industrial structure optimization and upgrading, comply with the principle of selecting the superior and eliminating the inferior and provide classified guidance.

Article 19

Investments are prohibited from being contributed to projects under the eliminated category. All financial institutions shall stop various forms of credit granting supports to such projects, and take measures to take back the granted loans. All localities and departments as well as the relevant enterprises shall take powerful measures to eliminate such projects within the prescribed time limit. The state price administrative department may, within the time limit for elimination, raise the electricity price. No production technique, equipment or product to be eliminated by the state by explicit order may be imported, transferred, produced, sold, used or adopted.

If any enterprise refuses to eliminate the production technique, equipment or products on time, the local people's government at each level and the relevant administrative department shall, in accordance with the relevant laws and regulations of the state, order it to stop production or close it, and shall take appropriate measures to resettle the employees of the enterprise, and guarantee the safety of financial institutions' credit assets, etc. If its products are subject to the administration by permit licence for production, the relevant administrative department shall lawfully revoke its permit licence for production; the administrative department for industry and commerce shall urge it to lawfully go through modification registration or nullification registration; the administrative department of environmental protection shall revoke its permit licence for pollution discharge; and the electric power supply enterprise shall lawfully stop supplying electricity to it. If any enterprise violates the provisions, its persons directly held liable and the relevant leaders shall be subject to liabilities in accordance with the law.

Chapter IV Supplementary Provisions

Article 20

The present Provisions shall come into force on the date of promulgation. The "Catalogue of Industries, Products and Technologies Emphatically Encouraged by the State to Be Developed (Amended in 2000)" promulgated by the former State Planning Commission and former State Economic and Trade Commission, as well as the "Catalogue of Outdated Production Capacities, Techniques and Products to Be Eliminated (Batch I, Batch II and Batch III)" and "Catalogue of Projects Stopped from Redundant Construction in the Area of Industrial and Commercial Investment (Batch I)" promulgated by the former State Economic and Trade Commission shall be repealed simultaneously.

Article 21

The relevant preferential policies implemented in accordance with the "Catalogue of Industries, Products and Technologies Emphatically Encouraged by the State to Be Developed (Amended in 2000)" shall be adjusted to implement in accordance with the Encouraged Catalogue in the "Guidance Catalogue for the Industrial Structure Adjustment". The establishment of foreign-funded enterprise and the relevant taxation policies, etc. shall be governed by the relevant laws and administrative regulations of the state on foreign investments.

State Council 2005-12-02

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- Indian Customs Released All Industry Duty Drawback Rates 2007-08, w.e.f. 18th July 2007. (/Exim/Duty-Drawback/Drawback-Rates-2007-2008.aspx)
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3907609001 (3907609001-polyester-pet-chips-high-pressure.aspx)	Polyester (PET) chips	21-Sep-2013	Kg	3%	3.6	3%
		10-Oct-2012	Kg	3.9%	4.7	3.9%
		22-Sep-2011	Kg	5.50%	5.5	5.50%
		20-Sep-2010	Kg	2.20%	1.50	2.20%
		01-Sep-2008	Kg	1.70%	1.70	1.70%
		18-Jul-2007	Kg	3.00%	3.00	3.00%
		15-Jul-2006	Kg.	13.30%	10.60	5.00%
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New- and Hi-tech Product Export Sellers' Credit

Published：2014-03-12

Business introduction

The Bank provides new- and hi-tech export sellers' credit to domestic companies for the export of new- and hi-tech products (not including products that are supported by the Bank's shipping or equipment export sellers' credit), products with indigenous intellectual rights, self-owned brands, high value-added products, and software products. The loan is provided both in Chinese yuan and in foreign currencies.

Loan Recipients

The loan is provided to domestic independent legal entities that are registered with the authorities for industry and commerce.

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Shipping Export Sellers' Credit

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NORTON ROSE FULBRIGHT

China outbound and roundtrip investment: new SAFE rules introduce greater flexibilities

Publication | July 22, 2014

On 14 July 2014, the State Administration of Foreign Exchange (the **SAFE**) released on its official website the *Circular on the Relevant Matters Concerning Foreign Exchange Administration on Outbound Investment/Financing and Roundtrip Investment though Special Purpose Companies by Domestic Entities or Individuals* (**Circular 37**), which took immediate effect and superseded the well-known Circular 75 regulating the same subject matter issued by SAFE in 2005.

Circular 37 simplifies the administration of foreign exchange matters concerning cross-border equity transactions and investment/financing activities (**Cross-border Activities**) conducted by domestic entities and individuals (collectively, **Domestic Residents**). Circular 37 expressly sets out that the intended objectives are to support China’s “going-out” policy and to better utilise both domestic and international resources and markets to improve the convertibility of cross-border capitals.

Circular 37 introduces significant changes to Circular 75, as summarised as follows:

Circular 37 captures, and makes SAFE registrations available to, a broader range of Cross-border Activities conducted by Domestic Residents than Circular 75.

Circular 37 has redefined SPCs and broadened the coverage of SPCs compared with Circular 75. SPCs are now defined as overseas enterprises directly established, or indirectly controlled, by Domestic Residents using their legitimately held **domestic or overseas assets or interests** for the purpose of conducting **investment or financing**. By comparison, under Circular 75, SPCs were defined to mean offshore corporate vehicles established by Domestic Residents using their **domestic assets or interests** for the purpose of **offshore equity financing**.

The term “roundtrip investment” has also been simplified (on the basis of the definition in Circular 75) to refer to Domestic Residents’ direct investment back to China through SPCs (directly or indirectly) by virtue of setting up new foreign-invested enterprises/projects or acquisitions and gaining ownership title, controlling rights or management rights in the enterprises/projects. By contrast, the definition of “roundtrip investment” in Circular 75 was focused more on describing different methods of acquisition.

The combined legal effect of the changes mentioned above is that a broader range of cross-border investment/financing activities conducted by Domestic Residents may fall within the regulatory ambit of Circular 37 and be able to conduct the SAFE registration procedures stipulated therein. This is particularly good news for individual Domestic Residents.

For decades, the legal regime governing outbound investments by individual Domestic Residents had been very unclear. In a regulated area such as outbound investments, absence of explicit rules means restriction instead of permission. Circular 75 opened a “narrow door” allowing individual Domestic Residents to conduct SAFE registrations for their outbound financing and roundtrip investments. Circular 37 has now enlarged the availability of SAFE registrations to a broader range of activities as explained above.

Although it is not entirely clear, one interpretation is that Circular 37 may eventually make SAFE registration available to outbound investments of individual Domestic Residents even without the roundtrip investment component.

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Circular 37 enables SPCs to gain access to more sources of funding from Domestic Residents

According to Circular 37, Domestic Residents can provide the following financial supports to SPCs:

- Capital contribution by using assets or interests (e.g. cash, negotiable securities, intellectual properties or technologies, equities or credit rights) legitimately held by Domestic Residents;
- Cross-border debt financing; or
- Direct remittance of funds for the establishment, share redemption or delisting of the SPCs.

These represent significant departures from Circular 75 under which SPCs were only meant to receive funds through overseas equity financing and were further required to bring the funds raised therefrom back to China.

In addition, Circular 37 allows profits/dividends/proceeds for equity disposal generated from SPCs to be kept offshore, which were however required under Circular 75 to be repatriated back to China within 180 days upon the profits/dividends/proceeds being realised.

These changes correspond to the enlarged definitions of SPCs and grant Domestic Residents with more attractive flexibilities in their Cross-border Activities.

Circular 37 simplifies the foreign exchange registration formalities

Compared with Circular 75, Circular 37 simplifies the foreign exchange registration procedures for SPCs. For example, Domestic Residents may set up SPCs for their outbound investment before starting SAFE registration formalities, although any capital contributions to SPCs are still not permitted until after SAFE registration is completed. It also provides that individual Domestic Residents shall carry on SAFE registration only for their directly established or controlled SPCs (i.e. the first layer SPCs). Combined with the provisions of Circular 37 that only those changes to the basic information of the SPCs or to material matters of SPCs (e.g. change of Domestic Residents' investments in the SPCs, merger or split-up of the SPCs) need to be registered with SAFE, it is generally understood that the scope of matters which need to be registered with SAFE will be reduced.

Other interesting changes

Circular 37 sets out, for the first time, the ways in which senior management and staff of Chinese companies directly or indirectly controlled by SPCs may conduct SAFE registration with regard to any stock option plans granted by non-listed SPCs. Prior to Circular 37, SAFE registration was only available to Chinese employees employed by Chinese subsidiaries of offshore listed companies.

Circular 37 has obviously introduced very positive reforms to the foreign exchange control regime governing Cross-border Activities conducted by Domestic Residents. However, in cases where a SPC is to acquire its affiliated domestic companies in China in the course of its roundtrip investment, approval by the Ministry of Commerce (**MOFCOM**) at central level still applies under a separate piece of legislation issued by MOFCOM. This has become a significant regulatory hurdle to overcome. It remains to be seen whether MOFCOM will take a similar approach to SAFE in relaxing requirements.

Practices:

Employment and labour **Banking and finance** **Corporate, M&A and securities**

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(http://www.eepcindia.com/)

(http://www.makeinindia.com/home)

1. What is the MEIS scheme?

Merchandise Exports from India Scheme (MEIS) under Foreign Trade Policy of India (FTP 2015-20) is one of the two schemes introduced in Foreign Trade Policy of India 2015-20, as a part of Exports from India Scheme. (The other scheme is SEIS, Service Exports from India Scheme).

The Government of India has brought in the Merchandise Exports Incentive Scheme (MEIS), replacing five other similar incentive schemes present in the earlier Foreign Trade Policy 2009-14. The schemes that have been replaced by the MEIS scheme include:

- Focus Product Scheme (FPS)
- Focus Market Scheme (FMS)
- Market Linked Focus Product Scheme (MLFPS)
- Agri. Infrastructure incentive scheme
- Vishesh Krishi Gramin Upaj Yojna (VKGUY)

As per the present FTP, the MEIS scheme does not aim to merely replace these five schemes but also aims to rationalize the incentives and enlarges their scopes by removing various restrictions.

2. The Objective of the MEIS Scheme

To offset infrastructural inefficiencies and the associated costs of exporting products produced in India giving special emphasis on those which are of India's export interest and have the capability to generate employment and enhance India's competitiveness in the world market.

3. About the Scheme

With the aim in making India's products more competitive in the global markets, the scheme provides incentive in the form of duty credit scrip to the exporter to compensate for his loss on payment of duties. The incentive is paid as percentage of the realized FOB value (in free foreign exchange) for notified goods going to notified markets. To determine the quantity of incentive, the countries have been segregated into three groups. Incentives on export of each product at 8-digit level (ITC HS codes), depend on the group in which its destination country belong.

There are essentially three country groups. Group A has India's traditional destinations such as the EU countries and USA. Group B has the maximum number of countries and covers almost all of India's major export destinations globally. It is worth mentioning here that Group B has the highest quantum of incentive. Group C on the other hand has no incentive at all. It can be divided into, SAARC, Australia and New Zealand, some EU and African countries.

4. Revision of MEIS scheme

The first schedule of the MEIS consisting of the definition of the country groups and the incentives on the 8-digit product lines was published along with the Foreign Trade Policy 2015-20 in April, 2015. However, after repeated representations from various industry associations and export promotion councils including us on the inadequacy of the incentives, the DGFT came out with a new schedule vide Public Notice No. 06 /2015-2020 published on 4th May, 2016. While the country groups have remained same in the new schedule, there has been a re-orientation of the incentive rates and in general the incentive basket has broadened. We have studied both the earlier schedule and the new one. The key changes include

- Additions of some product lines (at 8 digits) to the list of beneficiaries under MEIS. For instance, products coming in the category of the medical and scientific instruments have been included in the MEIS schedule and incentives have been given for all three groups.
- Amendment in the incentive rates for some product lines already included in the schedule. Here the most important change has been the grant of incentives to Group A countries for some product lines. This has obviously contributed towards expansion of the incentive market and has addressed one of our concerns

About MEIS Scheme (about-MEIS-scheme.aspx)

81 FR 13337, March 14, 2016

DEPARTMENT OF COMMERCE

International Trade Administration

[C-570-025]

Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin From the People's Republic of China: Final Affirmative Determination

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The Department of Commerce (the Department) determines that countervailable subsidies are being provided to producers and exporters of certain polyethylene terephthalate (PET) resin from the People's Republic of China (PRC) as provided in section 705 of the Tariff Act of 1930, as amended (the Act). For information on the estimated subsidy rates, see the ``Final Determination'' section of this notice. The period of investigation is January 1, 2014, through December 31, 2014.

DATES: Effective Date: March 14, 2016.

FOR FURTHER INFORMATION CONTACT: Yasmin Bordas or Emily Maloof, AD/CVD Operations, Office VI, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 482-3813 or (202) 482-5649, respectively.

SUPPLEMENTARY INFORMATION:

Background

The Department published the Preliminary Determination on August 14, 2015.\1\ A summary of the events that

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occurred since the Department submitted the Preliminary Determination, as well as a full discussion of the issues raised by parties for this final determination, may be found in the Issues and Decision Memorandum.\2\ The Issues and Decision Memorandum is a public document and is on file electronically via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS). ACCESS is available to registered users at http://access.trade.gov, and is available to all parties in the Central Records Unit, Room B8024 of the main Department of Commerce building. In addition, a complete version of the Issues and Decision Memorandum can be accessed directly at http://trade.gov/enforcement. The signed Issues and Decision Memorandum and the electronic versions of the Issues and Decision Memorandum are identical in content.

\1\ See Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin From the People's Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination With Final Antidumping Duty Determination, 80 FR 48819 (August 14, 2015) (``Preliminary Determination'').

\2\ See Memorandum from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Paul Piquado, Assistant Secretary for Enforcement and Compliance, ``Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Issues & Decision Memorandum for the Final Determination,'' dated concurrently with this notice (Issues and Decision Memorandum).

As explained in the memorandum from the Acting Assistant Secretary for Enforcement and Compliance, the Department has exercised its discretion to toll all administrative deadlines due to the recent closure of the Federal Government. All deadlines in this segment of the proceeding have been extended by four business days. The revised deadline for the final determination is now March 4, 2016.\3\

\3\ See Memorandum to the Record from Ron Lorentzen, Acting Assistant Secretary for Enforcement & Compliance, regarding ``Tolling of Administrative Deadlines As a Result of the Government Closure During Snowstorm Jonas,'' dated January 27, 2016.

Scope of the Investigation

The merchandise covered by this investigation is PET resin. The merchandise subject to this investigation is properly classified under subheading 3907.60.00.30 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive. For a complete description of the scope of this investigation, see Appendix II.

The Department did not receive comments regarding the scope of this investigation.

Methodology

The Department is conducting this countervailing duty (CVD) investigation in accordance with section 701 of the Tariff Act of 1930, as amended (the Act). For each of the subsidy programs found countervailable, we determine that there is a subsidy, i.e., a financial contribution by an ``authority'' that gives rise to a benefit to the recipient, and that the subsidy is specific.\4\ For a full description of the methodology underlying our conclusions, see the Issues and Decision Memorandum.

\4\ See sections 771(5)(B) and (D) of the Act regarding financial contribution; section 771(5)(E) of the Act regarding benefit; and section 771(5A) of the Act regarding specificity.

Analysis of Subsidy Programs and Comments Received

The subsidy programs under investigation and the issues raised in the case and rebuttal briefs by parties in this investigation are discussed in the Issues and Decision Memorandum. A list of the issues that parties raised, and to which we responded in the Issues and Decision Memorandum, is attached to this notice at Appendix I.

Use of Facts Available, Including Adverse Inferences

The Department notes that, in making this final determination, we relied, in part, on facts available and, because two respondents did not act to the best of their ability to respond to the Department's requests for information, we drew an adverse inference where appropriate in selecting from among the facts otherwise available with respect to those respondents.\5\ For further information, see the section ``Use of Facts Otherwise Available and Adverse Inferences'' in the accompanying Issues and Decision Memorandum.

\5\ See sections 776(a) and (b) of the Act.

Changes Since the Preliminary Determination

Based on our review and analysis of the comments received from parties and minor corrections presented at verification, we made certain changes to the respondents' subsidy rate calculations since the Preliminary Determination. For a discussion of these changes, see the Issues and Decision Memorandum.

Final Determination

In accordance with section 705(c)(1)(B)(i) of the Act, we calculated a rate for Jiangyin Xingyu New Material Co., Ltd. (Xingyu) and Dragon Special Resin (Xiamen) Co., Ltd. (Dragon), the two individually investigated exporters/producers of the subject merchandise that participated in this investigation. In accordance with sections 705(c)(1)(B)(i)(I) and 705(c)(5)(A) of the Act, for companies not individually investigated, we will determine an ``all-others'' rate equal to the weighted-average countervailable subsidy rates established for exporters and producers individually investigated, excluding any zero and de minimis countervailable subsidy rates, and any rates determined entirely under section 776 of the Act. Notwithstanding the language of section 705(c)(5)(A)(i) of the Act, we have not calculated the ``all-others'' rate by weight-averaging the rates of the two individually investigated respondents, because doing so risks disclosure of proprietary information. Instead, we have calculated the all-others rate using a simple average of the final rates for the two mandatory company respondents. We intend to disclose to parties the calculations performed in this proceeding within five days of the public announcement of this final determination in accordance with 19 CFR 351.224(b).

Exporter/producer	Subsidy rate (percent)
Jiangyin Xingyu New Material Co., Ltd., Jiangsu Xingye Plastic Co., Ltd., Jiangyin Xingjia Plastic Co., Ltd., Jiangyin Xingtai New Material Co., Ltd., Jiangsu Xingye Polarization Co., Ltd., Jiangsu Sanfangxiang Group Co., Ltd., Jiangyin Hailun Petrochemicals Co., Ltd., Jiangyin Xinlun Chemical Fiber Co., Ltd., Jiangyin Huasheng Polymer Co., Ltd., Jiangsu SanFangxiang International Trading Co., Ltd., Jiangyin HuaYi Polymerization Co., Ltd., Jiangyin Xingsheng Plastic Co., Ltd., Jiangyin Chemical Fiber Co., Ltd., Jiangyin Huaxing Synthetic Co., Ltd., Jiangyin Bolun Chemical Fiber Co., Ltd., (collectively, Xingyu)................	6.83
[[Page 13339]]	
Dragon Special Resin (Xiamen) Co., Ltd.; Xiang Lu Petrochemicals Co., Ltd.; Xianglu Petrochemicals (Zhangzhou) Co., Ltd.; Xiamen Xianglu Chemical Fiber Company Limited; and Dragon Aromatics (Zhangzhou) Co., Ltd. (collectively, Dragon Group)......................	47.56
All-Others...	27.20

Continuation of Suspension of Liquidation

As a result of our affirmative Preliminary Determination, and pursuant to section 703(d) of the Act, we instructed U.S. Customs and Border Protection (CBP) to suspend liquidation of entries of merchandise under consideration from the PRC that were entered or withdrawn from warehouse, for consumption, on or after August 14, 2015, the date of publication of the Preliminary Determination in the Federal Register. In accordance with section 703(d) of the Act, we issued instructions to CBP to discontinue the suspension of liquidation for CVD purposes for subject merchandise entered, or withdrawn from warehouse, on or after December 12, 2015, but to continue the suspension of liquidation of all entries from August 14, 2015 through December 11, 2015.

If the U.S. International Trade Commission (the ITC) issues a final affirmative injury determination, we will issue a CVD order and will reinstate the suspension of liquidation under section 706(a) of the Act and will require a cash deposit of estimated CVDs for such entries of subject merchandise in the amounts indicated above. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled.

International Trade Commission Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Enforcement and Compliance.

Notification Regarding Administrative Protective Orders

This notice serves as the only reminder to parties subject to an APO of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return or destruction of APO materials, or conversion to judicial protective order, is hereby requested. Failure to comply with the regulations and terms of an APO is a violation subject to sanction.

This determination is issued and published pursuant to sections 705(d) and 777(i) of the Act.

Dated: March 4, 2016.
Paul Piquado,
Assistant Secretary for Enforcement and Compliance.

Appendix I--List of Topics Discussed in the Issues and Decision Memorandum

I. Summary
II. Background
    A. Case History
    B. Period of Investigation
III. Scope of the Investigation
IV. Application of the Countervailing Duty Law to Imports From the PRC
V. List of Issues
VI. Subsidies Valuation
    A. Allocation Period

Appendix II

The merchandise covered by this investigation is polyethylene terephthalate (PET) resin having an intrinsic viscosity of at least 0.70, but not more than 0.88, deciliters per gram. The scope includes blends of virgin PET resin and recycled PET resin containing 50 percent or more virgin PET resin content by weight, provided such blends meet the intrinsic viscosity requirements above. The scope includes all PET resin meeting the above specifications regardless of additives introduced in the manufacturing process.

The merchandise subject to this investigation is properly classified under

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subheading 3907.60.00.30 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

[FR Doc. 2016-05715 Filed 3-11-16; 8:45 am]
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