



C-570-052
Administrative Review
POR 4/25/17 – 12/31/18
Public Document
E&C/OV: OQ/AC

October 3, 2019

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

FROM: Scot T. Fullerton
Director, Office VI
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the
Countervailing Duty Administrative Review: Certain Hardwood
Plywood Products from the People's Republic of China; 2017-
2018

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the countervailing duty (CVD) order on certain hardwood plywood products (plywood) from the People's Republic of China (China). The period of review (POR) is April 25, 2017 through December 31, 2018. The mandatory respondents are: Zhejiang Dehua TB Import & Export Co., Ltd (Zhejiang Dehua) and Jiangsu High Hope Arser Co., Ltd. (High Hope). We preliminarily find that Zhejiang Dehua and High Hope received countervailable subsidies during the POR.

If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection (CBP) to assess countervailing duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. Unless the deadline is extended pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act), we will issue the final results no later than 120 days after publication of these preliminary results.

II. BACKGROUND

On January 4, 2018, Commerce published in the *Federal Register* a CVD order on hardwood plywood from China.¹ Pursuant to section 751(a)(1) of the Act and 19 CFR 351.213(b), on April

¹ See *Certain Hardwood Plywood Products from the People's Republic of China: Countervailing Duty Order*, 83 FR 513 (January 4, 2018) (*Order*).



1, 2019, Commerce published the notices of initiation of the administrative review of the CVD order on plywood from China.² On May 2, 2019, Commerce published a correction of the original *Initiation Notice* to include additional companies for which a review had been requested.³ Pursuant to the *Initiation Notice* and *Corrected Initiation Notice*, we initiated a review on 59 companies. On August 27, 2019, based on timely requests for withdrawal of administrative review, Commerce partially rescinded the administrative review for 47 entities.⁴ In addition to the companies for which we rescinded the review in the *Rescission Notice*, we are, concurrent with these preliminary results, also rescinding the review with respect to Linyi Celtic, whose requests for review were also timely withdrawn. Additionally, Commerce is preliminarily rescinding the review with respect to nine additional companies for which CBP data showed no reviewable entries.

Based on timely withdrawal of review requests, the two companies that we had originally selected as mandatory respondents were subsequently rescinded.⁵ As such, on July 18, 2019, we selected Linyi Dahua and Zhejiang Dehua as additional mandatory respondents⁶ and sent a questionnaire to the Government of China (GOC), seeking information regarding the alleged subsidies, requesting the GOC to forward this questionnaire to the mandatory respondents.⁷ However, based on a timely withdrawal of review, Commerce then rescinded this administrative review with respect to Linyi Dahua.⁸ Zhejiang Dehua did not submit a response.⁹

On August 15, 2019 we selected High Hope as an additional mandatory respondent and issued a questionnaire to the GOC seeking information regarding the alleged subsidies, and requested that the GOC forward this questionnaire to High Hope.¹⁰ However, after requesting the required information needed to conduct the administrative review, neither the GOC, Zhejiang Dehua, nor High Hope submitted a response.¹¹ We discuss our treatment of the GOC, Zhejiang Dehua and High Hope *infra* in the “Application of Facts Available with Adverse Inferences” section.

² See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 12200 (April 1, 2019) (*Initiation Notice*).

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 18777 (May 2, 2019) (*Corrected Initiation Notice*).

⁴ See *Certain Hardwood Plywood Products from the People’s Republic of China: Partial Rescission of 2017-2018 Countervailing Duty Administrative Review*, 84 FR 44853 (August 27, 2019) (*Partial Rescission Notice*).

⁵ *Id.*

⁶ See Memorandum, “Countervailing Duty Administrative Review of Certain Hardwood Plywood Products from the People’s Republic of China: Replacement Respondent Selection,” dated July 18, 2019.

⁷ See Commerce’s Letter, “First Administrative Review of Certain Hardwood Plywood Products from the People’s Republic of China: Countervailing Duty Questionnaire,” dated July 18, 2019.

⁸ *Id.*

⁹ See Memorandum, “Hardwood Plywood Products from the People’s Republic of China: Tracking of Questionnaire to Linyi Dahua and Zhejiang Dehua,” dated July 25, 2019.

¹⁰ Commerce also inadvertently sent a countervailing duty questionnaire to a company with a name similar to Linyi Bomei Furniture Co Ltd (Linyi Bomei), a company listed in the *Initiation Notice*. According to Customs and Border Patrol data, however, Linyi Bomei made no entries during the POR. See Memorandum, “Certain Hardwood Plywood Products from the People’s Republic of China: U.S. Customs and Border Protection Data for Respondent Selection Purposes,” dated May 9, 2019. As a result, the company to which the initial questionnaire was inadvertently sent should not have received it and is not party to this review.

¹¹ See Memorandum, “Hardwood Plywood Products from the People’s Republic of China: Tracking of Questionnaire to Jiangsu High hope Arser Co., Ltd.,” dated September 9, 2019.

III. SCOPE OF THE ORDER

The merchandise subject to this order is hardwood and decorative plywood, and certain veneered panels as described below. For purposes of this proceeding, hardwood and decorative plywood is defined as a generally flat, multilayered plywood or other veneered panel, consisting of two or more layers or plies of wood veneers and a core, with the face and/or back veneer made of non-coniferous wood (hardwood) or bamboo. The veneers, along with the core may be glued or otherwise bonded together. Hardwood and decorative plywood may include products that meet the American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP-1-2016 (including any revisions to that standard).

For purposes of this order a “veneer” is a slice of wood regardless of thickness which is cut, sliced or sawed from a log, bolt, or flitch. The face and back veneers are the outermost veneer of wood on either side of the core irrespective of additional surface coatings or covers as described below.

The core of hardwood and decorative plywood consists of the layer or layers of one or more material(s) that are situated between the face and back veneers. The core may be composed of a range of materials, including but not limited to hardwood, softwood, particleboard, or medium-density fiberboard (MDF).

All hardwood plywood is included within the scope of this order regardless of whether or not the face and/or back veneers are surface coated or covered and whether or not such surface coating(s) or covers obscures the grain, textures, or markings of the wood. Examples of surface coatings and covers include, but are not limited to: ultra violet light cured polyurethanes; oil or oil-modified or water based polyurethanes; wax; epoxy-ester finishes; moisture-cured urethanes; paints; stains; paper; aluminum; high pressure laminate; MDF; medium density overlay (MDO); and phenolic film. Additionally, the face veneer of hardwood plywood may be sanded; smoothed or given a “distressed” appearance through such methods as hand-scraping or wire brushing. All hardwood plywood is included within the scope even if it is trimmed; cut-to-size; notched; punched; drilled; or has underwent other forms of minor processing.

All hardwood and decorative plywood is included within the scope of this order, without regard to dimension (overall thickness, thickness of face veneer, thickness of back veneer, thickness of core, thickness of inner veneers, width, or length). However, the most common panel sizes of hardwood and decorative plywood are 1219 x 1829 mm (48 x 72 inches), 1219 x 2438 mm (48 x 96 inches), and 1219 x 3048 mm (48 x 120 inches).

Subject merchandise also includes hardwood and decorative plywood that has been further processed in a third country, including but not limited to trimming, cutting, notching, punching, drilling, or any other processing that would not otherwise remove the merchandise from the scope of the order if performed in the country of manufacture of the in-scope product.

The scope of the order excludes the following items: (1) structural plywood (also known as “industrial plywood” or “industrial panels”) that is manufactured to meet U.S. Products Standard PS 1-09, PS 2-09, or PS 2-10 for Structural Plywood (including any revisions to that standard or

any substantially equivalent international standard intended for structural plywood), and which has both a face and a back veneer of coniferous wood; (2) products which have a face and back veneer of cork; (3) multilayered wood flooring, as described in the antidumping duty and countervailing duty orders on Multilayered Wood Flooring from the People's Republic of China, Import Administration, International Trade Administration. *See Multilayered Wood Flooring from the People's Republic of China*, 76 FR 76690 (December 8, 2011) (amended final determination of sales at less than fair value and antidumping duty order), and *Multilayered Wood Flooring from the People's Republic of China*, 76 FR 76693 (December 8, 2011) (countervailing duty order), as amended by *Multilayered Wood Flooring from the People's Republic of China: Amended Antidumping and Countervailing Duty Orders*, 77 FR 5484 (February 3, 2012); (4) multilayered wood flooring with a face veneer of bamboo or composed entirely of bamboo; (5) plywood which has a shape or design other than a flat panel, with the exception of any minor processing described above; (6) products made entirely from bamboo and adhesives (also known as "solid bamboo"); and (7) Phenolic Film Faced Plyform (PFF), also known as Phenolic Surface Film Plywood (PSF), defined as a panel with an "Exterior" or "Exposure 1" bond classification as is defined by The Engineered Wood Association, having an opaque phenolic film layer with a weight equal to or greater than 90g/m³ permanently bonded on both the face and back veneers and an opaque, moisture resistant coating applied to the edges.

Excluded from the scope of this order are wooden furniture goods that, at the time of importation, are fully assembled and are ready for their intended uses. Also excluded from the scope of this order is "ready to assemble" (RTA) furniture. RTA furniture is defined as (A) furniture packaged for sale for ultimate purchase by an end-user that, at the time of importation, includes 1) all wooden components (in finished form) required to assemble a finished unit of furniture, 2) all accessory parts (*e.g.*, screws, washers, dowels, nails, handles, knobs, adhesive glues) required to assemble a finished unit of furniture, and 3) instructions providing guidance on the assembly of a finished unit of furniture; (B) unassembled bathroom vanity cabinets, having a space for one or more sinks, that are imported with all unassembled hardwood and hardwood plywood components that have been cut-to-final dimensional component shape/size, painted or stained prior to importation, and stacked within a singled shipping package, except for furniture feet which may be packed and shipped separately; or (C) unassembled bathroom vanity linen closets that are imported with all unassembled hardwood and hardwood plywood components that have been cut-to-final dimensional shape/size, painted or stained prior to importation, and stacked within a single shipping package, except for furniture feet which may be packed and shipped separately.

Excluded from the scope of this order are kitchen cabinets that, at the time of importation, are fully assembled and are ready for their intended uses. Also excluded from the scope of this order are RTA kitchen cabinets. RTA kitchen cabinets are defined as kitchen cabinets packaged for sale for ultimate purchase by an end-user that, at the time of importation, includes 1) all wooden components (in finished form) required to assemble a finished unit of cabinetry, 2) all accessory parts (*e.g.*, screws, washers, dowels, nails, handles, knobs, hooks, adhesive glues) required to assemble a finished unit of cabinetry, and 3) instructions providing guidance on the assembly of a finished unit of cabinetry.

Excluded from the scope of this order are finished table tops, which are table tops imported in

finished form with pre-cut or drilled openings to attach the underframe or legs. The table tops are ready for use at the time of import and require no further finishing or processing.

Excluded from the scope of this order are finished countertops that are imported in finished form and require no further finishing or manufacturing.

Excluded from the scope of this order are laminated veneer lumber door and window components with (1) a maximum width of 44 millimeters, a thickness from 30 millimeters to 72 millimeters, and a length of less than 2413 millimeters (2) water boiling point exterior adhesive, (3) a modulus of elasticity of 1,500,000 pounds per square inch or higher, (4) finger-jointed or lap-jointed core veneer with all layers oriented so that the grain is running parallel or with no more than 3 dispersed layers of veneer oriented with the grain running perpendicular to the other layers; and (5) top layer machined with a curved edge and one or more profile channels throughout.

Imports of hardwood plywood are primarily entered under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 4412.10.0500; 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.0620; 4412.31.0640; 4412.31.0660; 4412.31.2510; 4412.31.2520; 4412.31.2610; 4412.31.2620; 4412.31.4040; 4412.31.4050; 4412.31.4060; 4412.31.4075; 4412.31.4080; 4412.31.4140; 4412.31.4150; 4412.31.4160; 4412.31.4180; 4412.31.5125; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.5175; 4412.31.5235; 4412.31.5255; 4412.31.5265; 4412.31.5275; 4412.31.6000; 4412.31.6100; 4412.31.9100; 4412.31.9200; 4412.32.0520; 4412.32.0540; 4412.32.0565; 4412.32.0570; 4412.32.0620; 4412.32.0640; 4412.32.0670; 4412.32.2510; 4412.32.2525; 4412.32.2530; 4412.32.2610; 4412.32.2630; 4412.32.3125; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.3235; 4412.32.3255; 4412.32.3265; 4412.32.3275; 4412.32.3285; 4412.32.5600; 4412.32.3235; 4412.32.3255; 4412.32.3265; 4412.32.3275; 4412.32.3285; 4412.32.5700; 4412.94.1030; 4412.94.1050; 4412.94.3105; 4412.94.3111; 4412.94.3121; 4412.94.3141; 4412.94.3161; 4412.94.3175; 4412.94.4100; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170; 4412.99.4100; 4412.99.5115; and 4412.99.5710.

Imports of hardwood plywood may also enter under HTSUS subheadings 4412.99.6000; 4412.99.7000; 4412.99.8000; 4412.99.9000; 4412.10.9000; 4412.94.5100; 4412.94.9500; and 4412.99.9500. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

IV. APPLICATION OF THE CVD LAW TO IMPORTS FROM CHINA

On October 25, 2007, Commerce published its final determination on coated free sheet paper from China.¹² In *CFS from the China*, Commerce found that:

. . . given the substantial differences between the Soviet-style economies and

¹² See *Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) and accompanying IDM (*CFS from China*).

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.¹³

Commerce affirmed its decision to apply the CVD law to China in numerous subsequent determinations.¹⁴ Furthermore, on March 13, 2012, Public Law 112-99 was enacted, which confirms that Commerce has the authority to apply the CVD law to countries designated as non-market economies under section 771(18) of the Act, such as China.¹⁵ The effective date of the enacted legislation makes clear that this provision applies to this proceeding.¹⁶

V. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

A. Legal Standard

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

Section 776(b) of the Act provides that Commerce 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. Further, section 776(b)(2) states that an adverse inference may include reliance on information derived from the petition, the final determination from the investigation, a previous administrative review, or other information placed on the record.¹⁷ When selecting an adverse facts available (AFA) rate from among the possible sources of information, Commerce's practice is to ensure that the rate is sufficiently adverse "as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide {Commerce} with complete and accurate information in a timely manner."¹⁸ Commerce's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."¹⁹ At the same time, section 776(b)(1)(B) of the Act states that Commerce is not required to determine, or make any adjustments to, a

¹³ *Id.* at Comment 6.

¹⁴ *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 China*) and accompanying IDM at Comment 1.

¹⁵ Section 1(a) is the relevant provision of Public Law 112-99 and is codified at section 701(f) of the Act.

¹⁶ *See* Public Law 112-99, 126 Stat. 265 §1(b).

¹⁷ *See* 19 CFR 351.308(c).

¹⁸ *See, e.g., Drill Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 76 FR 1971 (January 11, 2011); *see also Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8932 (February 23, 1998).

¹⁹ *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, Vol. I at 870 (1994), reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (SAA) at 870.

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.²⁰

Section 776(c) of the Act provides that, in general, when Commerce relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.²¹ 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 of the Act concerning the subject merchandise.”²² It is Commerce’s practice to consider information to be corroborated if it has probative value.²³ In analyzing whether information has probative value, it is Commerce’s practice to examine the reliability and relevance of the information to be used.²⁴ However, the SAA emphasizes that Commerce need not prove that the selected facts available are the best alternative information.²⁵ Furthermore, Commerce is not required to corroborate any countervailing duty applied in a separate segment of the same proceeding.²⁶

In a CVD investigation, Commerce requires information from both the foreign producers and exporters of the merchandise under investigation and the government of the country where those producers and exporters are located. When the government fails to provide requested and necessary information concerning alleged subsidy programs, Commerce, in selecting from among the facts otherwise available with an adverse inference, may find that a financial contribution exists under the alleged program and that the program is specific. However, where possible, Commerce will rely on the responsive producer’s or exporter’s records to determine the existence and amount of the benefit conferred, to the extent that those records are useable and verifiable.

Finally, under section 776(d) of the Act, when applying an adverse inference, Commerce may use a countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country or, if there is no same or similar program, use a countervailable subsidy rate for a subsidy program from a proceeding that Commerce considers reasonable to use.²⁷ Section 776(d)(3) of the Act also makes clear that, when selecting facts available with an adverse inference, Commerce is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an “alleged commercial reality” of the interested party.²⁸

²⁰ See section 776(b)(1)(B) of the Act.

²¹ See 19 CFR 351.308(d).

²² See SAA, H.R. Doc. No. 103-316, Vol. 1 at 870, reprinted at 1994 U.S.C.C.A.N. 4040, 4199 (1994).

²³ See SAA at 870.

²⁴ See, e.g., SAA at 869.

²⁵ See SAA at 869-870.

²⁶ See section 776(c)(2) of the Act.

²⁷ See section 776(d)(1) of the Act.

²⁸ See section 776(d)(3) of the Act.

B. Application of AFA to the GOC

As discussed above, the GOC has not participated in this review, because it did not submit any responses to Commerce's initial CVD questionnaire, nor did the GOC request an extension. Therefore, we preliminarily find that by not responding to Commerce's CVD questionnaire at all, the GOC withheld information that had been requested of it, thereby significantly impeding the conduct of this review.²⁹ Thus, in reaching a preliminary determination, pursuant to sections 776(a)(2)(A), (B) and (C) of the Act, we must rely on "facts available."

Moreover, we preliminarily determine that an adverse inference is warranted, pursuant to section 776(b) of the Act, because the GOC failed to cooperate by not acting to the best of its ability to comply with Commerce's request for necessary information. Consequently, an adverse inference is warranted in the application of facts available, pursuant to section 776(b) of the Act. In applying AFA, we find, based on available information, that programs under this review constitute a financial contribution within the meaning of section 771(5)(D) of the Act and are specific within the meaning of sections 771(5)(A), (5)(B) and (5)(D) of the Act.

C. Application of Total AFA to Non-Responsive Companies

As noted in the "Background" section above, Commerce issued countervailing duty questionnaires to the selected mandatory respondents Zhejiang Dehua and High Hope. We issued the questionnaires to each company by uploading them to ACCESS and *via* Federal Express and confirmed delivered.³⁰

Neither Zhejiang Dehua nor High Hope responded to Commerce's requests for information and therefore they failed to participate in this review. Accordingly, we preliminarily determine that Zhejiang Dehua and High Hope withheld necessary information that was requested of them, failed to provide information within the deadlines established, and significantly impeded this proceeding.³¹ Thus, in reaching our preliminary results, pursuant to sections 776(a)(2)(A), (B) and (C) of the Act, we based the CVD rate for Zhejiang Dehua and High Hope entirely on facts otherwise available.

Moreover, we preliminarily determine that an adverse inference is warranted, pursuant to section 776(b) of the Act, because each of these companies failed to cooperate by not acting to the best of its ability to comply with Commerce's request for information. Accordingly, we preliminarily find that the use of AFA is warranted to ensure that these companies (*i.e.*, the non-cooperating companies) do not obtain a more favorable result by failing to cooperate than if they had fully complied with our request for information.³²

²⁹ See section 776(a)(2)(A) and (C) of the Act.

³⁰ See Memorandum to the File, "Hardwood Plywood Products from the People's Republic of China: Tracking of Questionnaire to Linyi Dahua and Zhejiang Dehua," dated July 25, 2019; *see also* Memorandum to the File, "Hardwood Plywood Products from the People's Republic of China: Tracking of Questionnaire to Jiangsu High Hope Arser Co., Ltd.," dated September 9, 2019.

³¹ See section 776(a)(1) and (2) of the Act.

³² See SAA at 870.

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

D. Selection of the AFA Rate

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1) and (2) authorize Commerce to rely on information derived from: (1) the petition, (2) a final determination in the investigation, (3) any previous review or determination, or (4) any other information placed on the record. Commerce's practice when selecting an adverse rate from among the possible sources of information is to ensure that the rate is sufficiently adverse "as to effectuate the statutory purposes of the adverse facts available rule to induce respondents to provide Commerce with complete and accurate information in a timely manner."³³ Commerce's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."³⁴

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

In applying AFA to Zhejiang Dehua and High Hope, we are guided by the Commerce methodology detailed above. We have selected, as AFA, the highest calculated program specific above-zero rates for Zhejiang Dehua and High Hope, which is unchanged from those calculated in the *Plywood Investigation Final*,³⁵ for these preliminary results for the following programs:

- Policy Loans to the Hardwood Plywood Industry
- Preferential Loans to SOEs
- Provision of Electricity for LTAR
- Provision of Land-Use Rights for LTAR

³³ See, e.g., *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); see also SAA at 870.

³⁴ See SAA at 870.

³⁵ See *Countervailing Duty Investigation of Certain Hardwood Plywood Products from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 53473, (November 16, 2017); and accompanying IDM (*Plywood Investigation Final*).

- Provision of Urea for LTAR
- Provision of Formaldehyde for LTAR
- Enterprise Innovation Loan Interest Grant
- Foreign Trade Regional Coordination Development Promotion Fund
- Linyi Mart Development Special Fund
- Forest Certification Pilot Special Fund

Also, we are preliminarily applying an adverse inference that each of the non-responsive companies paid no income tax during the POR, including under:

- Income Tax Reductions under Article 28 of the Enterprise Income Tax
- Tax Offsets for Research and Development under the Enterprise Income Tax
- Preferential Income Tax Policy for Enterprises in the Northeast Region
- Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China
- Income Tax Benefits for Foreign Invested Enterprises Based on Geographic Locations
- Local Income Tax Exemption and Reduction Programs for “Productive” Foreign Invested Enterprises
- Tax Offsets for Research and Development by Foreign-Invested Enterprises
- Income Tax Reductions for Export-Oriented Foreign-Invested Enterprises

The standard corporate income tax rate in China is 25 percent. We, therefore, find the highest possible benefit for all income tax exemption and reduction programs combined is 25 percent (*i.e.*, the income tax programs combined provide a countervailable benefit of 25 percent). Consistent with past practice, the 25 percent AFA rate does not apply to income tax credit and rebate, accelerated depreciation, or import tariff and value-added tax exemption programs, because such programs may not affect the tax rate.³⁶

Lastly, for all other programs not mentioned above, we are applying, where available, the highest above-*de minimis* subsidy rate calculated for the same or comparable programs in the *Plywood Investigation Final*.³⁷ For these preliminary results, we can match, based on program names, program type, descriptions, and/or benefit treatments, the following programs to the same programs from the investigation:

- Provision of Standing Timber for LTAR
- Provision of Cut Timber for LTAR
- Provision of UF Resin for LTAR
- Provision of Export Credits - Export Buyers' Credit
- Provision of Export Credits - Export Sellers' Buyers' Credit
- Provision of Water for Less than Adequate Remuneration
- Provision of Land to SOEs by the GOC for Less than Adequate Remuneration
- Preferential Loans for State-Owned Enterprises

³⁶ See, e.g., *Aluminum Extrusions from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) at “Application of Adverse Inferences: Non-Cooperative Companies.”

³⁷ See *Plywood Investigation Final*.

- Loan and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- Interest Loan Subsidies for the Forestry Industry
- Foreign Trade Development Fund Grants
- Export Assistance Grants
- Export Interest Subsidies
- Sub-Central Government Subsidies for Development of Famous Brands and China World Top Brands
- Funds for Outward Expansion of Industries in Guangdong Province
- Provincial Fund for Fiscal and Technological Innovation
- State Key Technology Renovation Fund
- Shandong Province's Special Fund for the Establishment of Key Enterprise
- Technology Centers
- Shandong Province's Environmental Protection Industry Research and Development Funds
- Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises
- Waste Water Treatment Subsidies
- Technology to Improve Trade Research and Development Fund
- Income Tax Credits for Domestically-Owned Companies Purchasing Domestically Produced Equipment
- Value-Added Tax and Import Duty Exemptions for Use of Imported Equipment
- Value-Added Tax Rebate Exemptions on Foreign Invested Enterprise Purchases of Chinese-Made Equipment
- Export Performance Award
- Special Municipal Encouragement Fund for Foreign Trade Development
- 2009 Special Promotion Fund for Foreign Trade Steady Growth
- Finance Contribution Award
- Special Fund for Export Credit Insurance Premium
- Patent Application Award
- Enterprise Technical Transformation Fixed Assets Investment Award

Accordingly, we determine the AFA countervailable subsidy rate is 194.90 percent *ad valorem*. The Appendix contains a chart summarizing our calculation of this rate.

VI. RECOMMENDATION

Based on our analysis, we recommend adopting the above positions. If this recommendation is accepted, we will publish the preliminary results of this review in the *Federal Register*.



Agree



Disagree

10/3/2019

X



Signed by: JEFFREY KESSLER
Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

APPENDIX

AFA Rate Calculation

	Program Name	AFA Rate	Source
1.	Policy Loans to the Hardwood Plywood Industry	3.64%	Calculated – Sanfortune
2.	Preferential Loans to SOEs		Calculated – Sanfortune
3.	Provision of Electricity for LTAR	0.61%	Calculated – Sanfortune
4.	Provision of Land-Use Rights for LTAR	5.24%	Calculated – Sanfortune
5.	Enterprise Innovation Loan Interest Grant	0.11%	Calculated – Sanfortune
6.	Foreign Trade Regional Coordination Development Promotion Fund	0.25%	Calculated – Sanfortune
7.	Linyi Mart Development Special Fund	0.08%	Calculated – Sanfortune
8.	Forest Certification Pilot Special Fund	0.03%	Calculated – Sanfortune
9.	Provision of Water for LTAR	20.06%	Highest Rate for Similar Program Based on Benefit Type
10.	Provision of Land to SOEs by the GOC for LTAR	13.36%	Highest Rate for Similar Program Based on Benefit Type
11.	Loan and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program	2.05%	Highest Rate for Similar Program Based on Benefit Type
12.	Interest Loan Subsidies for the Forestry Industry	0.58%	Highest Rate for Similar Program Based on Benefit Type
13.	Foreign Trade Development Fund Grants	0.58%	Highest Rate for Similar Program Based on Benefit Type
14.	Export Assistance Grants	0.58%	Highest Rate for Similar Program Based on Benefit Type

15.	Export Interest Subsidies	0.58%	Highest Rate for Similar Program Based on Benefit Type
16.	Sub-Central Government Subsidies for Development of Famous Brands and China World Top Brands	0.58%	Highest Rate for Similar Program Based on Benefit Type
17.	Funds for Outward Expansion of Industries in Guangdong Province	0.58%	Highest Rate for Similar Program Based on Benefit Type
18.	Provincial Fund for Fiscal and Technological Innovation	0.58%	Highest Rate for Similar Program Based on Benefit Type
19.	State Key Technology Renovation Fund	0.58%	Highest Rate for Similar Program Based on Benefit Type
20.	Shandong Province's Special Fund for the Establishment of Key Enterprise Technology Centers	0.58%	Highest Rate for Similar Program Based on Benefit Type
21.	Shandong Province's Environmental Protection Industry Research and Development Funds	0.58%	Highest Rate for Similar Program Based on Benefit Type
22.	Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises	0.58%	Highest Rate for Similar Program Based on Benefit Type
23.	Waste Water Treatment Subsidies	0.58%	Highest Rate for Similar Program Based on Benefit Type
24.	Technology to Improve Trade Research and Development Fund	0.58%	Highest Rate for Similar Program Based on Benefit Type

25.	Income Tax Reductions under Article 28 of the Enterprise Income Tax	25.00%	Highest Rate for Similar Program Based on Benefit Type
26.	Tax Offsets for Research and Development under the Enterprise Income Tax		Highest Rate for Similar Program Based on Benefit Type
27.	Preferential Income Tax Policy for Enterprises in the Northeast Region		Highest Rate for Similar Program Based on Benefit Type
28.	Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China		Highest Rate for Similar Program Based on Benefit Type
29.	Income Tax Benefits for Foreign Invested Enterprises Based on Geographic Locations		Highest Rate for Similar Program Based on Benefit Type
30.	Local Income Tax Exemption and Reduction Programs for “Productive” Foreign-Invested Enterprises		Highest Rate for Similar Program Based on Benefit Type
31.	Tax Offsets for Research and Development by Foreign-Invested Enterprises		Highest Rate for Similar Program Based on Benefit Type
32.	Income Tax Reductions for Export-Oriented Foreign-Invested Enterprises		Highest Rate for Similar Program Based on Benefit Type
33.	Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment	9.71%	Highest Rate for Similar Program Based on Benefit Type
34.	Value-Added Tax and Import Duty Exemptions for Use of Imported Equipment	9.71%	Highest Rate for Similar Program Based on Benefit Type
35.	Value-Added Tax Rebate Exemptions on Foreign Invested Enterprise Purchases of Chinese-Made Equipment	9.71%	Highest Rate for Similar Program Based on Benefit Type

36.	Export Performance Award	0.58%	Highest Rate for Similar Program Based on Benefit Type
37.	Special Municipal Encouragement Fund for Foreign Trade Development	0.58%	Highest Rate for Similar Program Based on Benefit Type
38.	2009 Special Promotion Fund for Foreign Trade Steady Growth	0.58%	Highest Rate for Similar Program Based on Benefit Type
39.	Finance Contribution Award	0.58%	Highest Rate for Similar Program Based on Benefit Type
40.	Special Fund for Export Credit Insurance Premium	0.58%	Highest Rate for Similar Program Based on Benefit Type
41.	Patent Application Award	0.58%	Highest Rate for Similar Program Based on Benefit Type
42.	Enterprise Technical Transformation Fixed Assets Investment Award	0.58%	Highest Rate for Similar Program Based on Benefit Type
43.	Provision of Standing Timber for LTAR	20.06%	Highest Rate for Similar Program Based on Benefit Type
44.	Provision of Cut Timber for LTAR	20.06%	Highest Rate for Similar Program Based on Benefit Type
45.	Provision of Urea for LTAR	0.74%	Calculated – Sanfortune
46.	Provision of Formaldehyde for LTAR	1.74%	Calculated – Sanfortune
47.	Provision of UF Resin for LTAR	20.06%	Highest Rate for Similar Program Based on Benefit Type

48.	Provision of Export Credits - Export Buyers' Credit	10.54%	Highest Rate for Similar Program Based on Benefit Type
49.	Provision of Export Credits - Export Sellers' Buyers' Credit	10.54%	Highest Rate for Similar Program Based on Benefit Type
	Total <i>Ad Valorem</i> Rate	194.90%	