



C-570-109
Investigation
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April 30, 2019

**ENFORCEMENT AND COMPLIANCE
OFFICE OF AD/CVD OPERATIONS
COUNTERVAILING DUTY INVESTIGATION INITIATION CHECKLIST**

SUBJECT: Ceramic Tile from the People's Republic of China

CASE NUMBER: C-570-109

THE PETITIONER:

The Coalition for Fair Trade in Ceramic Tile¹

COUNSEL TO THE PETITIONER:

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POTENTIAL RESPONDENTS:

A list of the producers/exporters of ceramic tile in the People's Republic of China (China) identified by the Coalition for Fair Trade in Ceramic Tile (the petitioner) can be found in the

¹ See Volume I of the Petition, at 2 and Exhibit I-1-A for contact information for the members of the Coalition for Fair Trade in Ceramic Tile.



“Petition for the Imposition of Countervailing Duties on Imports of Ceramic Tile from the People’s Republic of China,” dated April 10, 2019 (Petition).²

SCOPE: See Attachment I – Scope of the Investigation, to this checklist.

IMPORT STATISTICS:

China	2016	2017	2018
Quantity (square feet)	583,383,805	657,204,576	692,147,717
Landed Duty-Paid Value (USD)	517,431,477	588,914,817	626,339,938

Source: U.S. International Trade Commission (ITC) Dataweb, available at <http://dataweb.usitc.gov/>. The petitioner reported volume (converted from square meters to square feet) and landed duty-paid value for imports of ceramic tile using the Harmonized Tariff Schedule of the United States (HTSUS) subheadings 6907 and 6908.³

APPROXIMATE CASE CALENDAR:

Event	No. of Days	Date of Action	Day of Week
Countervailing Duty Investigation			
Petition Filed	0	April 10, 2019	Wednesday
Initiation Date	20	April 30, 2019	Tuesday
ITC Preliminary Determination	45	May 28, 2019	Tuesday*
ITA Preliminary Determination†***	85	July 5, 2019	Friday
ITA Final Determination†	160	September 18, 2019	Wednesday
ITC Final Determination***	205	November 4, 2019	Monday
Publication of Order****	212	November 12, 2019	Tuesday*

* Where the deadline falls on a weekend/holiday, the appropriate date is the next business day.

† These deadlines may be extended under the governing statute.

** This will take place only in the event of a preliminary affirmative determination from the U.S. International Trade Commission (ITC).

*** This will take place only in the event of a final affirmative determination from the International Trade Administration (ITA).

**** This will take place only in the event of a final affirmative determination from the ITA and the ITC.

² See Volume I of the Petition, at 16 and Exhibit I-5.

³ *Id.* at 17 and Exhibit I-6.

Note: The ITC final determination will take place no later than 45 days after a final affirmative ITA determination.
Note: Publication of order will take place approximately 7 days after an affirmative ITC final determination.

INDUSTRY SUPPORT:

Do the petitioner and those expressing support for the Petition account for more than 50% of production of the domestic like product?

<input checked="" type="checkbox"/>	Yes
<input type="checkbox"/>	No

If No, do those expressing support account for the majority of those expressing an opinion and at least 25% of domestic production?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input checked="" type="checkbox"/>	Not Applicable

Describe how industry support was established - specifically, describe the nature of any polling or other step undertaken to determine the level of domestic industry support.

See Attachment II, Analysis of Industry Support for the Antidumping and Countervailing Duty Petitions Covering Ceramic Tile from the People’s Republic of China, to this checklist.

Was there opposition to the Petition?

<input type="checkbox"/>	Yes
<input checked="" type="checkbox"/>	No

Are any of the parties who have expressed opposition to the Petition either importers or domestic producers affiliated with foreign producers?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input checked="" type="checkbox"/>	Not Applicable

INJURY TEST:

Because China is a “Subsidies Agreement Country” within the meaning of section 701(b) of the Tariff Act of 1930, as amended (the Act), section 701(a)(2) of the Act applies to this

investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from China materially injure, or threaten material injury to, a U.S. industry by reason of imports of the subject merchandise from China.

INJURY ALLEGATION:

We received a copy of the notice of institution of antidumping and countervailing duty investigations from the ITC, which was signed on April 10, 2019. The notice indicates that the ITC instituted an investigation to determine whether there is a reasonable indication that the domestic industry producing ceramic tile is materially injured, or threatened with material injury, by reason of imports of ceramic tile from China.⁴

The relevant injury data can be found in Volume I of the Petition, at 17-50, and Exhibits I-6, I-8 through I-22, I-24 through I-26, and the General Issues Supplement,⁵ at 11 and Supplemental Exhibit I-29.⁶

Does the Petition contain evidence of causation? Specifically, does the Petition contain information relative to:

- volume and value of imports (*See* Volume I of the Petition, at 17, 18, 22-23, 43-44 and Exhibits I-6 and I-9).
 - U.S. market share (*i.e.*, the ratio of imports to consumption) (*See* Volume I of the Petition, at 18, 22-25, 43-44 and Exhibits I-8 and I-22).
 - actual pricing (*i.e.*, evidence of decreased pricing) (*See* Volume I of the Petition, at 28-32, 47 and Exhibits I-6 and I-13).
 - relative pricing (*i.e.*, evidence of imports underselling U.S. products) (*See* Volume I of the Petition, at 28-32, 47 and Exhibits I-6 and I-13).
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PETITION REQUIREMENTS:

Does the Petition contain the following?

- the name, address, and telephone number of the petitioner (*See* Volume I of the Petition, at 2 and Exhibit I-1-A).

⁴ *See* Attachment IV to this checklist.

⁵ *See* Petitioner's Letter to Commerce, "Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People's Republic of China: FTCT's Response to the Department's Supplemental Questions on the Petition," dated April 17, 2019 (General Issues Supplement).

⁶ *See* Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Antidumping and Countervailing Duty Petitions Covering Ceramic Tile from the People's Republic of China, to this checklist.

- the names, addresses, and telephone numbers of all domestic producers of the domestic like product known to the petitioner (*See* Volume I of the Petition, at 2-3 and Exhibits I-1-A and I-1-B).
- the volume or value of the domestic like product produced by the petitioner and each domestic producer identified for the most recently completed 12-month period for which data are available (*See* Volume I of the Petition, at 3-5 and Exhibits I-1-C through I-1-F; *see also* General Issues Supplement, at 8-10 and Supplemental Exhibit I-1-E; *see also* Second General Issues Supplement,⁷ at 6 and Supplemental Exhibit I-1-E).

Was the entire domestic industry identified in the Petition?

- Yes (*See* Volume I of the Petition, at 2-3 and Exhibits I-1-A, I-1-B, and I-1-D).
- No
- a clear and detailed description of the merchandise to be investigated, including the appropriate Harmonized Tariff Schedule numbers (*See* Volume I of the Petition, at 6-12 and Exhibits I-3, I-4, and I-23; *see also* General Issues Supplement, at 2-7; *see also* Second General Issues Supplement, at 1-3 and Supplemental Exhibit I-30).
- the name of each country in which the merchandise originates or from which the merchandise is exported (*See* Volume I of the Petition, at 15-16).
- the identity of each known exporter, foreign producer, and importer of the merchandise (*See* Volume I of the Petition, at 16-17 and Exhibits I-5 and I-7).
- a statement indicating that the Petition was filed simultaneously with the Department of Commerce (Commerce) and the ITC (*See* cover letter to the Petition, at 2).
- an adequate summary of the proprietary data (*See* public version of the Petition; *see also* public version of the General Issues Supplement; *see also* public version of the Second General Issues Supplement).
- a statement regarding release under administrative protective order (*See* the cover letter to the Petition, at 1-4; *see also* cover letter to the General Issues Supplement, at 1-2; *see also* cover letter to the Second General Issues Supplement, at 1-3).

⁷ *See* Petitioner’s Letter to Commerce, “Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People’s Republic of China: FTCT’s Response to the Department’s Second Supplemental Questions on General Issues of Petition pertaining to DOC case Nos. A-570-108 & C-570-109,” dated April 22, 2019 (Second General Issues Supplement).

- a certification of the facts contained in the Petition by an official of the petitioning firm(s) and its legal representative (if applicable) (*See* attachments to the cover letter to the Petition, attachments to the General Issues Supplement, and attachments to China CVD Petition Supplement,⁸ and attachments to the cover letter to the Second General Issues Supplement).

 - import volume and value information for the most recent two-year period (*See* Volume I of the Petition, at 17, 18, 22-23, 43-44 and Exhibits I-6 and I-9).
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COUNTERVAILING DUTY ALLEGATIONS:

The proposed period of investigation (POI) is January 1, 2018, through December 31, 2018.

The petitioner filed the Petition on April 10, 2019. On April 15, 2019, Commerce sought clarification on certain subsidy issues in the Petition,⁹ as well as issues concerning the scope of the Petition, industry support and injury.¹⁰ The petitioner provided additional information in response to Commerce's questionnaire on April 17, 2019.¹¹ On April 19, 2019, Commerce officials spoke with counsel to the petitioner on issues pertaining to scope, domestic like product, and industry support and requested that the petitioner address certain issues.¹² On April 22, 2019, the petitioner provided additional information in response to Commerce's Memorandum on April 19, 2019.¹³

CONSULTATIONS:

Pursuant to section 702(b)(4)(A)(ii) of the Act, on April 15, 2019, we invited representatives of the Government of China (GOC) for consultations with respect to the countervailing duty (CVD) petition. However, consultations were not held with regard to the CVD petition because the GOC did not request consultations.

⁸ *See* Letter from the petitioner to Commerce, "Countervailing Duty Investigation of Ceramic Tile from the People's Republic of China: FTCT's Response to the Department's Supplemental Questions on the Petition," dated April 17, 2019 (China CVD Petition Supplement).

⁹ *See* Letter from Commerce to the petitioner, "Petition for the Imposition of Countervailing Duties on Imports of Ceramic Tile from the People's Republic of China: Supplemental Questions," dated April 15, 2019 (April 15, 2019 Questionnaire).

¹⁰ *See* Letter from Commerce to the petitioner, "Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Ceramic Tile from the People's Republic of China: Supplemental Questions," dated April 15, 2019.

¹¹ *See* China CVD Petition Supplement; *see also* Letter from the petitioner, "Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People's Republic of China: FTCT's Response to the Department's Supplemental Questions on the Petition," dated April 17, 2019 (General Issues Supplement).

¹² *See* Memorandum, "Phone Call with Counsel to the Petitioner," dated April 19, 2019 (Memorandum).

¹³ *See* Letter from the petitioner to Commerce, "Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People's Republic of China: FTCT's Response to the Department's Second Supplemental Questions on General Issues of Petition pertaining to DOC Case Nos. A-570-108 & C-570-109," dated April 22, 2019 (Second General Issues Supplement).

COUNTERVAILING DUTY INVESTIGATION INITIATION STANDARD:

Section 702(b) of the Act states that the petitioner must allege the elements necessary for the imposition of a CVD under section 701(a) of the Act; *i.e.*, the existence of countervailable subsidies and material injury, or threat of material injury, by reason of the subsidized imports. Section 702(b)(1) of the Act requires that these allegations be supported by information reasonably available to the petitioner.

ALLEGED SUBSIDY PROGRAMS:

We recommend investigating the programs listed under “Programs on Which Commerce is Initiating an Investigation.” For each program, the petitioner alleged the elements of a subsidy, *i.e.*, financial contribution, benefit, and specificity. We find that the petitioner’s allegations are supported by adequate and accurate information that was reasonably available. In those instances where the petitioner partially supported its allegation, *i.e.*, where the allegation is broader than the supporting evidence, we recommend limiting our inquiry as described under “Recommendation.”

I. PROGRAMS ON WHICH COMMERCE IS INITIATING AN INVESTIGATION

A. Preferential Lending

1. Policy Loans to the Ceramic Tile Industry

Description: The petitioner alleges that policy banks and state-owned commercial banks (SOCBs) in China make loans to ceramic tile producers on preferential terms as a matter of national level government policy. The petitioner states that the building materials and non-metallic minerals industries are the subject of strategic industry planning at all levels of government¹⁴ and have been designated as “encouraged” industries.¹⁵ The Chinese ceramic tile industry falls under these categories, as ceramic tiles producers list honors or awards on their websites demonstrating their preferred status in the building materials industry.¹⁶ The petitioner states that banks in China provide loans in accordance with government policies to advance national policy goals, rather than lending on solely business or market based factors.¹⁷ Further, the petitioner asserts that policy banks and SOCBs have lent vast sums on favorable terms to preferred industries, including Chinese ceramic tile producers and exporters, “as part of a central

¹⁴ See Volume III of the Petition, at 9-10; *see also, e.g.*, Exhibit III-A-1.

¹⁵ *Id.* at 10 and Exhibit III-A-2.

¹⁶ *Id.* at 10-11; *see also, e.g.*, Exhibits III-13 and III-14.

¹⁷ *Id.* at 11 (citing Exhibit III-A-3 stating that “Commercial banks shall carry out their loan business upon the needs of national economy and the social development and under the guidance of the state industrial policies.”).

government strategy to make Chinese companies more domestically or globally competitive.”¹⁸ The petitioner finally notes that Commerce has found, in numerous prior investigations and administrative reviews, that the GOC provides preferential loans and interest rates to select enterprises and industries based on policy goals.¹⁹

Financial Contribution: The petitioner alleges that loans provided by policy banks and SOCBs in China constitute direct financial contributions pursuant to section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that policy loans are specific under section 771(5A)(D)(i) of the Act, because the GOC has a policy in place to use loans to encourage and support the growth of the building materials and non-metallic minerals industries in China. In addition, the petitioner alleges that loans from Chinese government-controlled banks are by their nature discretionary and, consequently, are specific under section 771(5A)(D)(iii)(IV) of the Act.

Benefit: The petitioner alleges that policy loans provide a benefit, pursuant to 771(5)(E)(ii) of the Act and 19 CFR 351.505, equal to the difference between what the recipient paid on the government-provided loan and the amount the recipient would have paid for a comparable commercial loan that it could have obtained on the market.

Support: We examined the evidence provided to support the allegation on pages 9 through 13 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

2. Regional Policy Loans – Guangdong Province

Description: The petitioner alleges that government-controlled banks provide preferential financing to certain enterprises located within Guangdong Province pursuant to provincial government policies.²⁰ The petitioner states that Guangdong Province regional development plans²¹ have encouraged growth in select industries, including the building materials and ceramic

¹⁸ *Id.* (citing Exhibit III-A-4 at 2 and 37).

¹⁹ *Id.* at 14 (citing *e.g.*, *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Negative Determination of Critical Circumstances*, 73 FR 40480 (July 15, 2008) (*Off-Road Tires Final Determination*), and accompanying Issues and Decision Memorandum (Off-Road Tires IDM) at section IV.A.2; *Certain Citrate Salts from the People's Republic of China: Final Results of Countervailing Duty Administrative Review*, 76 FR 77206 (December 12, 2011) (*Citric Acid 2011 Review Final Results*), and accompanying Issues and Decision Memorandum, at Section I.A (Citric Acid 2011 Review IDM); and *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2012*, 80 FR 41003 (July 14, 2015) (CSPC 2012 Review Final Results), and accompanying Issues and Decision Memorandum, at Section VIII.A.6 (CSPC 2012 IDM)).

²⁰ *Id.* at 13-15.

²¹ *Id.* (citing Exhibit III-A-6 at Chapter III, part 4; Exhibit III-A-7 at 2, and 6-9; and Exhibit III-17).

tile industries.²² As there are numerous ceramic tile producers in located in Guangdong, and several have been recognized as Guangdong “Famous Trademarks,”²³ the petitioner asserts that ceramic tile producers are likely recipients of government-directed policy lending in Guangdong Province.²⁴ The petitioner further asserts that that there may be other ways for ceramic tile producers to qualify for preferred provincial policy loans, such as being considered high-tech or environmentally friendly products.²⁵ The petitioner also notes that Commerce has previously found this program countervailable in past proceedings.²⁶

Financial Contribution: The petitioner alleges that, pursuant to section 771(5)(D)(i) of the Act, loans from banks controlled or owned by the GOC constitute direct transfers of funds, and therefore financial contributions.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act, because this program relates to government policy to promote the development of preferred industries within Guangdong Province. In addition, the petitioner alleges that loans from Chinese government-controlled banks are by their nature discretionary and, consequently, are specific under section 771(5A)(D)(iii)(IV) of the Act.

Benefit: The petitioner alleges that policy loans provide a benefit, pursuant to section 771(5)(E)(ii) of the Act and 19 CFR 351.505, equal to the difference between what the recipient paid on the government-provided loan and the amount the recipient would have paid for a comparable commercial loan that it could have obtained on the market.

Support: We examined the evidence provided to support the allegation on pages 13 through 16 of Volume III of the Petition and page 1 of the China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

²² *Id.* (referencing Exhibits III-A-7a; III-13, and III-14).

²³ *Id.* at 15 (referencing Exhibits III-13, and III-14).

²⁴ *Id.* at 15 (citing Exhibit III-A-7).

²⁵ *Id.* at 15 (citing Exhibit III-A-7 at 9 (emphasizing a focus on “green and environmentally friendly” products, “key technology” products, and “high-tech” products. As discussed throughout this Petition, ceramic tile producers have been awarded designations for all three categories)).

²⁶ *Id.* at 13 (citing *e.g.*, *Certain Tool Chests and cabinets from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 82 FR 56582 (November 29, 2017) (*Tool Chests Final Determination*), and accompanying Issues and Decision Memorandum, dated September 8, 2017, at 8-9 (Tool Chests IDM); *Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Final Affirmative Determination*, 81 FR 75037 (October 28, 2016) (*Iron Mechanical Transfer Drive Components Final Determination*), and accompanying Issues and Decision Memorandum at 8, Comment 16, (Iron Mechanical Transfer Drive Components IDM); and *Drawn Stainless Steel Sinks from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 13017 (February 26, 2013) (*Stainless Steel Sinks Final Determination*), and accompanying Issues and Decision Memorandum (Stainless Steel Sinks IDM) at 12-13, 24-25, and comments 3 and 4; and *Coated Free Sheet Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS Paper Final Determination*), and accompanying Issues and Decision Memorandum at 9-10 (CFS Paper IDM)).

3. Preferential Loans Provided by the Export-Import Bank “Going-Out” for Outbound Investment

Description: The petitioner alleges that pursuant to this program, the GOC provides loans and other means of preferential financial assistance to ceramic tile producers.²⁷ Through the Export-Import Bank of China (EIBC), a government policy bank, the bank provides producers with opportunities to improve their distribution channels, achieve greater access to the export market, and/or establish subsidiaries or warehouses overseas.²⁸ Additionally, the petitioner alleges that the program facilitates the purchases of inputs from overseas.²⁹ The petitioner notes that Commerce has previously initiated an investigation of this program.³⁰

Financial Contribution: The petitioner alleges that this program provides a direct financial contribution by the GOC within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that this program targets specific industries for international promotion and is thus specific under section 771(5A)(B) of the Act.

Benefit: The petitioner alleges that this program provides a benefit equal to the difference between the amount paid on loans from government-owned banks to the amount that would have been paid on comparable commercial loans, pursuant to section 771(5)(E)(ii) of the Act and 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 17 through 19 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. However, we recommend initiating on this program as providing a benefit under 19 CFR 351.505(a)(1), not 19 CFR 351.509 (which applies to direct taxes).

4. Export Seller’s Credit and Guarantees

Description: The petitioner alleges that this program, administered by EIBC, promotes select products, including new and high-tech products through medium and long-term financing.³¹ The petitioner asserts that the EIBC supports these select products primarily through direct loans

²⁷ *Id.* at 17 (citing Exhibit III-A-9; and Exhibit III-A-7).

²⁸ *Id.* at 17-18 (citing Exhibit III-A-11; and Exhibit III-A-12).

²⁹ *Id.* at 17.

³⁰ *Id.* at 18 (citing *e.g.*, *Sodium Gluconate, Gluconic Acid, and Derivative Products from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 499 (January 4, 2018), and accompanying Initiation Checklist (Sodium Initiation Checklist) at 10).

³¹ *Id.* at 19-20 (citing Exhibit III-A-13 at 40; III-A-14; and Exhibit III-A-15).

to exporters, and also provides export credit guarantees.³² The petitioner notes that publicly available information demonstrates that ceramic tile producers are export-oriented and high-tech manufacturers, and are therefore likely beneficiaries of this program.³³ The petitioner also states that Commerce has investigated and countervailed this program in the past.³⁴

Financial Contribution: The petitioner alleges that export seller's credit from the EIBC involves the direct transfer of funds from a government-owned financial institution, and therefore constitutes a financial contribution under section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that the export seller's credit program is specific under sections 771(5A)(A) and (B) of the Act because it is contingent on export performance.

Benefit: The petitioner alleges that the EIBC export financing confers a benefit under 19 CFR 351.505 and section 771(5)(E)(ii) of the Act to the extent that it is provided on terms better than would be available from commercial sources. Additionally, the petitioner alleges that an export credit guarantee provides a benefit equal to the difference between the amount the recipient pays on a guaranteed loan and the amount a recipient would pay for a comparable commercial loan in the absence of a guarantee, pursuant to section 771(5)(E)(iii) of the Act.

Support: We examined the evidence provided to support the allegation on pages 19 through 22 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

5. Export Buyer's Credit

Description: The petitioner alleges that the export buyer's credit program, administered by the EIBC, provides loans at preferential rates to foreign companies, such as importers, to encourage the purchase of Chinese exports (*e.g.*, products, technology, and services).³⁵ Additionally, the petitioner alleges that other banks, beyond the EIBC, can provide funding pursuant to this

³² *Id.* at 20-21 (citing Exhibit III-A-16 at 27; Exhibit III-A-13 at 33 and 41; and Exhibit III-A-17).

³³ *Id.* at 20 (referencing Exhibit III-13).

³⁴ *Id.* at 21 (citing *e.g.*, *Countervailing Duty Investigation of Certain Polyethylene Terephthalate Resin from the People's Republic of China: Final Affirmative Determination*, 81 FR 13337 (March 14, 2016) (*PET Resin Final Determination*), and accompanying Issues and Decision Memorandum at 32 (Pet Resin IDM); and *Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Final Affirmative Critical Circumstances Determination, In Part*, 82 FR 9714 (February 8, 2017) (*SSSS Final Determination*), and accompanying Issues and Decision Memorandum at 12 (SSSS IDM)).

³⁵ *Id.* at 22 (citing Exhibit III-A-16 at 33; and Exhibit III-A-18).

program.³⁶ The petitioner states that Commerce has previously found this program to be countervailable.³⁷

Financial Contribution: The petitioner alleges that export buyer's credit program provides a financial contribution through the direct transfer of funds from the EIBC under section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that the export buyer's credit program is contingent upon export performance, and therefore, is specific under sections 771(5A)(A) and (B) of the Act.

Benefit: The petitioner alleges that the EIBC's export financing confers a benefit under 19 CFR 351.505 and section 771(5)(E)(ii) of the Act to the extent that it is provided on terms better than would be available from commercial sources.

Support: We examined the evidence provided to support the allegation on pages 22 to 23 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

6. Export Credit Insurance Subsidies from Sinasure

Description: The petitioner alleges that China Export & Credit Insurance Corporation (Sinasure) "is a state-funded policy-oriented insurance company...established for promoting China's foreign trade and economic cooperation."³⁸ Public data available to the petitioner indicates that Sinasure's export credit insurance program does not charge premiums that are adequate to cover the program's long-term operating costs.³⁹ Specifically, Sinasure's publicly available annual reports from 2002-2011 reveal a cumulative operating loss of RMB 3.5 billion.⁴⁰ Information reasonably available to petitioner indicates that ceramic tile producers and exporters have benefitted from subsidized export credit insurance, because Sinasure is directed to provide "comprehensive support" of exports by new and high-tech materials industries, and ceramic tile

³⁶ *Id.* at 22-23 (citing *Countervailing Duty Investigation of Certain Biaxial Integral Geogrid Products from the People's Republic of China: Final Affirmative Determination and Final Determination of Critical Circumstances, in Part*, 82 FR 3282 (January 11, 2017) (*Geogrid Final Determination*), and accompanying Issues and Decision Memorandum at 20 (Geogrid IDM); and *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review and Rescission, in Part; 2014-2015*, 82 FR 42287 (September 7, 2017) (*Passenger Vehicle 2014-2015 Preliminary Results*), and accompanying Preliminary Decision Memorandum at 22 (Passenger Vehicle PDM)).

³⁷ *Id.* at 23 (citing Geogrid IDM at 13-21; and Passenger Vehicle PDM at 22-24).

³⁸ *Id.* at 24 (citing Exhibit III-A-20).

³⁹ *Id.* at 24-25 (citing Passenger Vehicle IDM at 24. Footnote 112).

⁴⁰ *Id.* (citing Exhibit III-A-20; Exhibit III-A-21; Exhibit III-A-22; Exhibit III-A-23; and Exhibit III-A-24).

producers have received this designation.⁴¹ The petitioner states that Commerce has previously found this program to be countervailable.⁴²

Financial Contribution: The petitioner alleges that export credit insurance constitutes a direct transfer of funds from a government-owned financial institution under section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that export credit insurance subsidies are contingent upon export performance, and therefore, is specific under sections 771(5A)(A) and (B) of the Act.

Benefit: Under 19 CFR 351.520, export insurance confers a benefit if the premium rates charged are inadequate to cover the long-term costs and losses of the program; the benefit is equal to the difference between the amount of premiums paid by the recipient and the amount received by the firm under the insurance program.

Support: We examined the evidence provided to support the allegation on pages 23 through 26 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

B. Preferential Tax Programs

1. Preferential Income Tax Reductions for High and New Technology Enterprises (HNTEs)

Description: The petitioner alleges that pursuant to Article 28 of China's 2008 corporate tax law, certain enterprises designated as HNTEs are entitled to a reduced income tax rate of 10 percent instead of the normal national corporate tax rate of 25 percent.⁴³ The petitioner notes that ceramic tiles producers have been designated as "high and new technology" enterprises regionally and nationally, and, therefore are likely beneficiaries of this program.⁴⁴ The petitioner states that Commerce has previously found this program to be countervailable.⁴⁵

Financial Contribution: The petitioner asserts that a reduced tax rate under this program constitutes a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

⁴¹ *Id.* (citing Exhibit III-A-19; Exhibit III-A-20; and Exhibit III-13).

⁴² *Id.* at 25 (citing *Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Amended Final Affirmative Antidumping Determination and Antidumping Duty Order; and Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 80 FR 47902 (August 10, 2015) (*Passenger Vehicle Amended Final Determination*), and accompanying Issues and Decision Memorandum at 23-25 (Passenger Vehicle IDM)).

⁴³ *Id.* at 26-27 (citing Exhibit III-B-1).

⁴⁴ *Id.* at 27 (citing Exhibit III-13; and Exhibit III-B-2).

⁴⁵ *Id.* (citing e.g., *Citric Acid 2011 Review Final Results*).

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited by law to a specific group of enterprises identified by the GOC, *i.e.*, those enterprises designated as HNTEs.

Benefit: The petitioner asserts that the reduced tax rate pursuant to this program confers a benefit to the recipient in the amount of the tax savings pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 26 through 28 of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. However, we note that the program identified by the petitioner provides recipients with a rate reduction of 10 percent, rather than a tax rate of 10 percent.⁴⁶ Specifically, Article 28 states that the rate applicable to HNTEs “shall be levied at a reduced rate of 15 percent.”⁴⁷

2. Preferential Deduction of Research and Development (R&D) Expenses for HNTEs

Description: The petitioner alleges that, under this program, HNTEs may deduct 50 percent of their total R&D expenses from their taxable income.⁴⁸ These deductions include design costs, expenses for materials and fuel consumed through R&D activities, wages, salaries, and benefits for personnel engaged in R&D activities, depreciation expenses on instruments and equipment, and many other qualifying expenses.⁴⁹ The petitioner asserts that, because ceramic tile producers have been designated as high-tech enterprises, as discussed above, such producers likely benefit from this program.⁵⁰ The petitioner states that Commerce has previously found this program to be countervailable.⁵¹

Financial Contribution: The petitioner alleges that the R&D expense deduction under this program constitutes a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

⁴⁶ *Id.* (citing Exhibit III-B-1).

⁴⁷ *Id.*

⁴⁸ *Id.* at 28 (citing Exhibit III-B-3; and Exhibit III-B-4).

⁴⁹ *Id.* at 28 (citing Exhibit III-B-4).

⁵⁰ *Id.* at 28 (citing Exhibit III-13).

⁵¹ *Id.* (citing *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) (*CSPC Final Determination*), and accompanying Issues and Decision Memorandum 17 (CSPC IDM); and *Utility Scale Wind towers from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 75978 (December 26, 2012) (*Wind Towers Final Determination*), and accompanying Issues and Decision Memorandum at 18-19 (Wind Towers IDM)).

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited by law to a specific group of enterprises identified by the GOC, *i.e.*, those enterprises designated as HNTEs.

Benefit: The petitioner alleges that the R&D expense deduction pursuant to this program confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 28 through 29 of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

3. Reduced Tax Rates for Foreign Invested Enterprises (FIEs) Recognized as HNTEs

Description: The petitioner alleges that under Article 71 of the FIE Income Tax Law, an income tax reduction of 15 percent is authorized for FIEs located in special economic zones that manufacture products listed in the Catalogue of High and New Technology Products of China.⁵² Further, the petitioner asserts that for those FIEs who have at least 50 percent of their revenue coming from qualifying products, the reduced income tax rate of 15 percent also applies.⁵³ The petitioner claims that a producer of ceramic tile, Overland Ceramics Co., Ltd., likely benefited from this program, because it has been recognized as a producer of “Guangdong Province High and New Technology Product.”⁵⁴ The petitioner states that Commerce has previously found this program to be countervailable.⁵⁵

Financial Contribution: The petitioner alleges that tax reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to as a matter of law to high- and new-technology FIEs.

Benefit: The petitioner alleges that tax reductions pursuant to this program confers a benefit to

⁵² *Id.* at 98-99 (citing Exhibit III-G-5).

⁵³ *Id.* (citing Exhibit III-G-5).

⁵⁴ *Id.* at 99 (citing Exhibit III-13).

⁵⁵ *Id.* at 99 (citing *e.g.*, *Aluminum Extrusions from the People’s Republic of China: Final Results, and Partial Rescission of Countervailing Duty Administrative Review*; 2013, 80 FR 77325 (December 14, 2015), and accompanying Issues and Decision Memorandum (Aluminum Extrusions IDM 2015) at 14, section VI).

recipients in the amount of the tax savings pursuant to 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 98 through 100, of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

4. Income Tax Benefits for Domestically-Owned Enterprises Engaging in R&D

Description: The petitioner alleges that under this program domestic enterprises in certain industries whose R&D expenses increased ten percent or more from the previous year may offset 150 percent of such expenses from their income tax obligation.⁵⁶ The petitioner notes that this income tax program is available to certain industries, including mining, manufacturing, electricity, gas, and water.⁵⁷ As ceramic tile producers are part of the manufacturing industry, such producers are likely to have benefited from this program.⁵⁸ Additionally, the petitioner further asserts that ceramic tile producers in certain areas, including Guangdong Province, are part of national and local government plans to promote R&D and technological upgrading projects in order to create a “world-class manufacturing base.”⁵⁹ The petitioner states that Commerce has previously initiated an investigation of this program.⁶⁰

Financial Contribution: The petitioner asserts that preferential tax rates offered under this program constitute a financial contribution in the form of revenue foregone under section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this tax program is specific under sections 771(5A)(D)(i) and (iii) of the Act because it is limited to a specific group of enterprises (*i.e.*, domestically-owned enterprises) in a limited number of industries.

Benefit: The petitioner asserts that the program provides a benefit within the meaning of section 771(5)(E) of the Act and 19 CFR 351.509(a)(1) in the amount of the tax savings from this program.

Support: We examined the evidence provided to support the allegation on pages 35 through 37 of the Petition, including all referenced exhibits therein. We relied on all information submitted.

⁵⁶ See Volume III of the Petition, at 35 (citing Exhibit III-B-10)).

⁵⁷ *Id.* at 36 (citing *Circular Welded Carbon Quality Steel Line Pipe from the people’s Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961 November 24, 2008) (*Welded Line Pipe Final Determination*), and accompanying Issues and Decision Memorandum at 25 (*Welded Line Pipe IDM*)).

⁵⁸ *Id.*

⁵⁹ *Id.* (citing Exhibit III-A-6; Exhibit III-B-11; Exhibit III-B-12; and Exhibit III-17).

⁶⁰ *Id.* at 36 (citing *Certain Quartz Surface Products from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 22618 (May 16, 2018), and accompanying Initiation Checklist at 17 (*Quartz Initiation Checklist*)).

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

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

Description: The petitioner alleges that China’s central and provincial governments provide a complex set of tax benefits to FIEs operating in special economic areas.⁶¹ Specifically, the petitioner contends that “productive” FIEs located in a coastal economic development zone, special economic zone, or economic technology development zone receive preferential tax rates of either 15 or 24 percent, depending on the zone, in contrast to the standard 25 percent rate.⁶² Productive FIEs are eligible for further tax income reductions if they are located in designated “old urban districts” or coastal economic zones and are engaged in (1) technology- or technology-intensive projects, (2) long-term projects with foreign investment, or (3) energy resource development, transportation and port constructions projects.⁶³ As previously indicated, a number of ceramic tile producers are located within various special economic areas and have been designated as high-tech enterprises, and would thus fall within criteria (1), while ceramic tile producers which are FIEs would fall under criteria (2).⁶⁴ The petitioner states that Commerce has previously initiated an investigation of this program.⁶⁵

Financial Contribution: The petitioner alleges that tax reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this tax program is specific under section 771(5A)(D)(iv) of the Act because it is limited to enterprises located in a designated geographical region.

Benefit: The petitioner alleges that tax reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings pursuant to 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 94 through 96, of Volume III of the Petition, including all referenced exhibits therein. We relied on all

⁶¹ *Id.* at 94.

⁶² *Id.* at 95 (citing Exhibit III-G-2).

⁶³ *Id.* (citing Exhibit III-G-2; and Exhibit III-13).

⁶⁴ *Id.* (citing Exhibit III-10).

⁶⁵ *Id.* at 95-96 (citing Sodium Initiation Checklist at 39-40).

information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

6. Tax Offsets for Research and Development by FIEs

Description: The petitioner alleges that the GOC maintains preferential tax policies for research and development by FIEs as identified in its 2006 notification to the WTO.⁶⁶ The petitioner claims that these tax policies are designed to encourage the research and development of enterprises, and this tax offset permits “the actual expenses of foreign-invested enterprises on research and development conducted in China, which have increased 10 percent or more from the previous year,” to be “offset by 150 percent from the taxable income of the year.”⁶⁷ The petitioner states that Commerce has previously found this program to be countervailable.⁶⁸

Financial Contribution: The petitioner alleges that tax reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to as a matter of law to research and development FIEs.

Benefit: The petitioner alleges that tax reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings pursuant to 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 100 through 101, of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

7. Corporate Income Tax Law Article 33: Reduction of Taxable Income for Revenue Derived from the Manufacture of Products that Are in Line with State Industrial Policy and Involve Synergistic Utilization of Resources

Description: The petitioner alleges that, pursuant to Article 33 of China’s corporate income tax law, the *Regulations of the People’s Republic of China on the Implementation of the Enterprise Income tax Law*, enterprises generating income by using select resources may qualify for income

⁶⁶ *Id.* at 100 (citing Exhibit III-B-10).

⁶⁷ *Id.* (citing Exhibit III-G-8).

⁶⁸ *Id.* (citing *e.g.*, Aluminum Extrusions IDM 2015 at 30-31; and *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People’s Republic of China: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 75 FR 59212, 59215 (September 27, 2010) (*Print Graphics Final Determination*)).

tax deductions.⁶⁹ Specifically, firms that use resources listed in the “Catalogue of resources for Comprehensive Utilization by Enterprises Entitled to Preferential Income Tax Treatment” qualify for a tax deduction.⁷⁰ As resources listed in this are likely used by ceramic tile producers, such producers likely have benefited from this program.⁷¹ The petitioner states that Commerce has previously initiated an investigation of this program.⁷²

Financial Contribution: The petitioner alleges that this program constitutes a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this tax program is specific under sections 771(5A)(D)(i) and (iii) of the Act because it is limited to companies that manufacture particular products.

Benefit: The petitioner alleges that this program confers a benefit under 19 CFR 351.510 equal to the amount of revenue forgone by the government.

Support: We examined the evidence provided to support the allegation on pages 39 through 41 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein and as noted above. However, we recommend initiating on this program as providing a benefit as described by section 19 CFR 351.509(a)(1), rather than section 19 CFR 351.510, because the program provides income tax savings, rather than exemptions from indirect taxes.

8. Tax Offset for R&D – Guangdong Province Tax Program

Description: The petitioner alleges that under this tax offset, R&D expenses that are considered tangible assets may be deducted as a 50 percent tax offset, while R&D expenses that are considered intangible assets receive a 150 percent tax offset.⁷³ The petitioner asserts that only projects that conform to the central and provincial governments’ industrial development plans are eligible for this tax benefit.⁷⁴ The petitioner alleges that the Provincial Government of Guangdong (PGOG) has designated ceramic tile industry as an industry targeted for support under provincial industrial plans, and such producers likely benefit from this program.⁷⁵ The petitioner states that Commerce has previously found this program to be countervailable.⁷⁶

Financial Contribution: The petitioner alleges that income tax reductions under this program

⁶⁹ *Id.* at 39-40 (citing Exhibit III-C-2; Exhibit III-C-3; and Exhibit III-C-4).

⁷⁰ *Id.* at 40 (citing Exhibit III-C-2, Exhibit III-C-3, and Exhibit III-C-4).

⁷¹ *Id.* (citing Exhibit III-C-3).

⁷² *Id.* (citing Sodium Initiation Checklist at 16-17).

⁷³ *Id.* at 29 (citing *Aluminum Extrusions from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 76 FR 18521 (April 4, 2011) (*Aluminum Extrusions Final Determination*), and accompanying Issues and Decision Memorandum at 30-31 (*Aluminum Extrusions IDM*)).

⁷⁴ *Id.* (citing *Aluminum Extrusions IDM* at 30).

⁷⁵ *Id.* at 30 (generally referencing *e.g.*, the Petition at 13-15).

⁷⁶ *Id.* at 29 (citing *Aluminum Extrusions Final Determination*).

constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited by law to a specific group of industries identified by the Guangdong provincial government.

Benefit: The petitioner alleges that the income tax reduction under this program confers a benefit, pursuant to 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 29 through 30 of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

9. City Tax and Surcharge for FIEs – Guangdong Province

Description: The petitioner alleges that this program exempts all FIEs and foreign enterprises from city maintenance and construction taxes and education fee surcharges.⁷⁷ The petitioner notes that the construction tax is based on the amount of product tax, VAT, and or business actually paid by the taxpayer. For taxpayers located in urban areas, counties or townships, and areas (excluding urban areas, counties, and townships), the rate is 7 percent, 5 percent, or 1 percent, respectively. Regarding the education fee surcharge, FIEs pay 1 percent of the actual amount of the product tax, VAT, and business tax paid, whereas other entities pay 4 percent of that amount.⁷⁸ The petitioner states that Commerce has previously found this program to be countervailable.⁷⁹

Financial Contribution: The petitioner alleges that tax exemptions and reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.⁸⁰

Specificity: The petitioner alleges that this tax program is specific under section 771(5A)(D)(i) of the Act because it is limited to certain enterprises, (*i.e.*, FIEs).⁸¹

Benefit: The petitioner alleges that tax exemptions and reductions pursuant to this program

⁷⁷ *Id.* at 31 (citing *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China: Preliminary Results of the Countervailing Duty Administrative Review*, 76 FR 62364, 62368 (October 7, 2011) (*Kitchen Racks Preliminary Results*), and accompanying Preliminary Decision Memorandum (*Kitchen Racks PDM*); and *Certain Kitchen Shelving and Racks from the People's Republic of China: Final affirmative Countervailing Duty Determination*, 74 FR 37012 (July 27, 2009) (*Kitchen Racks Final Determination*), and accompanying Issues and Decision Memorandum at 13 (*Kitchen Racks IDM*)).

⁷⁸ *Id.* at 31-32 (citing *Aluminum Extrusions IDM* at 17-18).

⁷⁹ *Id.* at 29 (citing *Kitchen Racks Final Determination*; and *Aluminum Extrusions Final Determination*).

⁸⁰ See China CVD Petition Supplement at 1.

⁸¹ *Id.* at 2

confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).⁸²

Support: We examined the evidence provided to support the allegation on pages 31 through 32, and 34 of Volume III of the Petition and pages 1 through 2 of the China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

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

Description: The petitioner alleges that companies placed on Guangdong Province's list of high-tech industries pay a reduced income tax rate of 15 percent,⁸³ whereas other companies pay a national tax rate of 25 percent.⁸⁴ As indicated above, the petitioner notes that because ceramic tile producers are located in Guangdong Province, such producers likely received benefits under this program.⁸⁵ The petitioner states that Commerce has previously found this program to be countervailable.⁸⁶

Financial Contribution: The petitioner alleges that tax exemptions and reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.⁸⁷

Specificity: The petitioner alleges that this tax program is specific under section 771(5A)(D)(i) of the Act because it is limited to certain enterprises, (*i.e.*, high-tech industries).⁸⁸

Benefit: The petitioner alleges that tax exemptions and reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).⁸⁹

Support: We examined the evidence provided to support the allegation on pages 31 through 32, and 34 of Volume III of the Petition and page 2 of the China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted.

⁸² *Id.* at 1.

⁸³ See Volume III of the Petition, at 32 (citing *Lightweight Thermal Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008) (*Lightweight TP Final Determination*), and accompanying Issues and Decision Memorandum at 14 (*Lightweight Thermal Paper IDM*)).

⁸⁴ *Id.* (citing Exhibit III-B-5).

⁸⁵ *Id.* at 30-31.

⁸⁶ *Id.* at 32 (citing *Lightweight Thermal Paper IDM* at 14).

⁸⁷ See China CVD Petition Supplement at 2.

⁸⁸ *Id.*

⁸⁹ *Id.*

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

11. Income Tax Programs for FIEs in Dongguan City in Guangdong Province

Description: The petitioner alleges that this program provides income tax benefits to FIEs located in Guangdong Province.⁹⁰ The petitioner notes that under this program, “productive FIEs operating for at least 10 years may take advantage of a ‘Two Free, Three Half’ program similar to that operated by the central government” and “export-oriented FIEs that export 70% or more of their produced goods may qualify for reduced income tax once the ‘Two Free, Three Half’ period has expired.”⁹¹ In addition, the petitioner indicates that companies located in Guangdong Province are entitled to a reduced standard income tax rate under the program.⁹² The petitioner notes that because ceramic tile producers are located in Dongguan City in Guangdong Province, such producers likely received benefits under this program.⁹³ The petitioner states that Commerce has previously found this program to be countervailable.⁹⁴

Financial Contribution: The petitioner alleges that tax exemptions and reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.⁹⁵

Specificity: The petitioner alleges that this tax program is specific under sections 771(5A)(D)(i) of the Act because it is limited to certain enterprises, (*i.e.*, FIEs).⁹⁶

Benefit: The petitioner alleges that tax exemptions and reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).⁹⁷

Support: We examined the evidence provided to support the allegation on pages 32 through 34 of Volume III of the Petition and page 3 of the China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted.

⁹⁰ See Volume III of the Petition, at 32.

⁹¹ *Id.* at 32-33 (citing *Certain Tow-Behind Lawn Groomers and Certain Parts Thereof from the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 73 FR 70971, 70979 (November 24, 2008) (*Tow-Behind Lawn Groomers Preliminary Determination*), and accompanying Preliminary Decision Memorandum (*Tow-Behind Lawn Groomers PDM*)).

⁹² *Id.* (citing *Tow-Behind Lawn Groomers Preliminary Determination*).

⁹³ *Id.* at 33.

⁹⁴ *Id.* at 32 (citing *Lightweight Thermal Paper IDM* at 14).

⁹⁵ See China CVD Petition Supplement at 3.

⁹⁶ *Id.*

⁹⁷ *Id.*

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

12. Reduced Income Tax Rate for Entities in the Foshan High-Tech Industrial Development Zone

Description: The petitioner alleges that high and new technology enterprises in the Foshan High-Tech Industrial Development Zone, including ceramic tile producers, receive a “reduced rate of 15%” income tax subsidy, and newly established high and new technology enterprises “may be exempted from income tax for two years since the year they go into production.”⁹⁸ The petitioner states that Commerce has previously initiated an investigation of this program.⁹⁹

Financial Contribution: The petitioner alleges that the tax incentive under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this subsidy is specific under section 771(5A)(D)(i) of the Act because the recipients are limited as a matter of law to certain enterprises, namely manufacturers located in the Foshan High-Tech Industrial Zone. Additionally, the petitioner alleges that the subsidy is likely specific under sections 771(5A)(A) and (B) of the Act because there is a reasonable basis to believe or suspect that the zone is linked with the GOC’s policies to promote exports from Export Bases. The petitioner also states that the subsidy is specific pursuant to section 771(5A)(D)(iv) of the Act because it is limited to enterprises located in designated geographic regions.

Benefit: The petitioner alleges that tax exemptions and reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 81 through 83, of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

13. Local Income Tax Exemption and Reduction Programs for “Productive” FIEs – Shandong Province

Description: The petitioner alleges that “local provinces can establish eligibility criteria and administer the application process for local income tax reductions or exemptions for FIEs.”¹⁰⁰ The petitioner contends that local governments appear to have heavily utilized this program by

⁹⁸ *Id.* at 82 (citing Exhibit III-F-2).

⁹⁹ *Id.* (citing (Quartz Initiation Checklist at 29-30).

¹⁰⁰ *Id.* at 101.

implementing tax exemptions and reductions for productive FIEs in their localities.¹⁰¹ The petitioner claims that in Shandong Province, any productive FIE established outside of the coastal economic open area approved by the state with a total investment of more than \$30 million is eligible for an exemption from local income tax.¹⁰² The petitioner states that Commerce has previously found this program to be countervailable.¹⁰³

Financial Contribution: The petitioner alleges that tax reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to “productive” FIEs.

Benefit: The petitioner alleges that tax exemptions and reductions pursuant to this program confers a benefit to recipients in the amount of the tax savings from the program pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1).

Support: We examined the evidence provided to support the allegation on pages 101 through 102, of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

¹⁰¹ *Id.* (citing *Coated Free Sheet Paper from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS Final Determination*), and accompanying Issues and Decision Memorandum at 12 and 14 (CFS IDM); *Off-Road Tires IDM* at 22; *Light-Walled Rectangular Pipe and Tube from People’s Republic of China: Final Affirmative Countervailing Duty Investigation Determination*, 73 FR 35642 (June 24, 2008) (*LWRP Final Determination*), and accompanying Issues and Decision Memorandum at 11 (LWRP IDM); and *Wire Decking from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 75 FR 32902 (June 10, 2010) (*Wire Decking Final Determination*), and accompanying Issues and Decision Memorandum 24 (Wire Decking IDM)).

¹⁰² *Id.* (citing *Laminated Woven Sacks from the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination; Preliminary Affirmative Determination of Critical Circumstances, In Part; and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 72 FR 67893, 67904 (Dec. 3, 2007) (*LWS Preliminary Determination*), and accompanying Preliminary Decision Memorandum (LWS PDM)).

¹⁰³ *Id.* (citing *Off-Road Tires IDM* at 22; and *Ammonium Sulfate from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 82 FR 4850 (January 17, 2017) (*Ammonium Sulfate Final Determination*), and accompanying Issues and Decision Memorandum (Ammonium Sulfate IDM)).

C. Preferential Indirect Tax Programs

1. Value-Added Tax (VAT) and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program

Description: The petitioner alleges that the “Circular of the Ministry of Finance and State Tax Administration on Printing and Distributing the Regulations on Relevant Issues with Respect to Expansion of VAT Deduction Scope in the Northeast Areas” allows businesses in the Northeast region of China engaged in the high-tech, equipment manufacturing, petrochemical, metallurgical, and selected other industries to deduct the amount they paid in VAT for purchases of fixed assets from the VAT paid for sales of finished goods.¹⁰⁴ Accordingly, the petitioner claims that ceramic tile producers located in the region, such as De De Ceramics Co., Ltd., are likely to have received such benefits.¹⁰⁵ The petitioner states that Commerce has previously initiated an investigation of this program.¹⁰⁶

Financial Contribution: The petitioner alleges that this program constitutes a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

Specificity: The petitioner claims that this program is specific under section 771(5A)(D)(iv) of the Act because it is available only to enterprises located in a specific region under the authority of the GOC.

Benefit: The petitioner alleges that the program confers a benefit under section 771(5)(E) of the Act in the amount of the VAT deductions.

Support: We examined the evidence provided to support the allegation on pages 37 through 39 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. With respect to the VAT exemptions, we are examining VAT exemptions that were provided prior to 2009. Effective 2009, China’s VAT regime transformed from a “production-based” system into a “consumption-based” system. Under the production-based system, China did not allow VAT paid on purchases of capital goods and fixed assets to be credited when remitting VAT to GOC tax authorities.¹⁰⁷ Therefore, firms were relieved from a tax they would have otherwise had to pay. However, it is Commerce’s policy not to initiate on exemptions under a consumption-based VAT system. We

¹⁰⁴ *Id.* at 38 (citing Exhibit III-C-1; and Welded Line Pipe IDM at 21-22).

¹⁰⁵ *Id.* at 38-39 (citing Exhibit III-10).

¹⁰⁶ *Id.* at 36 (citing Sodium Initiation Checklist at 16-17).

¹⁰⁷ See *Final Determination in the Countervailing Duty Investigation of Certain Frozen Warmwater Shrimp from the People’s Republic of China*, 78 FR 50391 (August 12, 2013), and accompanying Issues and Decision Memorandum at 23, footnote 104 (*Shrimp from the PRC Final Determination*).

have previously determined that “VAT is a consumption tax which the company merely conveys to the government, ultimately paying nothing because it is the final consumer who actually shoulders the tax burden.”¹⁰⁸ We also recommend finding that the program provides a benefit under section 771(5)(E) of the Act in the amount of any import tariff exemptions.

2. VAT and Tariff Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries¹⁰⁹

Description: The petitioner alleges that the GOC provides VAT, or consumption tax, and import duty exemptions for certain imported equipment used by enterprises in particular industries.¹¹⁰ Pursuant to the *State Council’s Circular on Adjusting Tax Policies on Imported Equipment (Guo Fa No. 37)*, foreign invested enterprises (FIEs) and certain encouraged domestic enterprises are exempted from paying import tariffs and VAT on imported equipment, as long as the equipment is not resold.¹¹¹ As discussed above, the building materials and non-metallic minerals industries are favored industries, and ceramic tile producers are thus likely beneficiaries of this program.¹¹² The petitioner states that Commerce has previously found this program to be countervailable.¹¹³

Financial Contribution: The petitioner alleges that this program constitutes a financial contribution in the form of government revenue foregone under section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges the benefits offered are limited by law to FIEs and encouraged industries with certain permitted equipment offsets by law and are therefore specific under Section 771(5A)(C) of the Act.

Benefit: The petitioner alleges that this program confers a benefit under 19 CFR 351.510 equal to the amount of revenue forgone by the government.

Support: We examined the evidence provided to support the allegation on pages 41 through 42 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

¹⁰⁸ See *Large Residential Washers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012) (*Washers from Korea Final Determination*).

¹⁰⁹ This program was also separately alleged as VAT and Tariff Exemptions on Imported Equipment for Favored Industries on page 96 of the Volume III of the Petition. Because both allegations apparently pertain to the same program, we have limited our initiation of this program, as indicated above.

¹¹⁰ *Id.* at 41.

¹¹¹ *Id.* (citing Exhibit III-A-1; and Exhibit III-C-5).

¹¹² *Id.* (citing *Monosodium Glutamate from the People’s Republic of China: Preliminary Affirmative Countervailing Duty Determination; and Preliminary Affirmative Determination of Critical Circumstances*, 79 FR 13615 (March 11, 2014) (*MSG Preliminary Determination*), and accompanying Preliminary Decision Memorandum at 16 (MSG PDM)).

¹¹³ *Id.* at 41-42 (citing *Aluminum Extrusions IDM at VII.D; High Pressure Steel Cylinders from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 77 FR 26738 (May 7, 2012) (*High Pressure Cylinders Final Determination*), and accompanying Issues and Decision Memorandum (*High Pressure Steel Cylinders IDM*) at V.D; and *Citric Acid 2011 Review IDM* at H).

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein and as noted above. However, we recommend initiating on this program as being specific under section 771(5A)(D)(i) of the Act, rather than section 771(5A)(C) of the Act, because the program is limited to certain enterprises or industries (*i.e.*, FIEs and encouraged industries). Further, as explained above for the preceding program, with regard to VAT exemptions for equipment, we are only examining exemptions provided prior to 2009.

3. VAT Refunds for FIEs on Purchases of Chinese-Made Equipment

Description: The petitioner alleges that FIEs receive refunds of the VAT on purchases of Chinese-made equipment.¹¹⁴ The petitioner states that Commerce has previously initiated an investigation of this program.¹¹⁵

Financial Contribution: The petitioner alleges that tax reductions under this program constitute a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(C) of the Act because it prefers domestic goods over imported goods.

Benefit: The petitioner alleges that the benefit under this program is equal to the tax saved by the recipients pursuant to 19 CFR 351.510.

Support: We examined the evidence provided to support the allegation on pages 97 through 98, of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. As explained above for the preceding two programs, with regard to VAT refunds for equipment, we are only examining refunds provided prior to 2009.

4. Duty Exemption - Foshan High-Tech Industrial Development Zone

Description: The petitioner alleges that samples for disassembling and testing imported by HNTES located in the Foshan High-Tech Industrial Development Zone shall be released free of duty by Customs.¹¹⁶ The petitioner states that Commerce has previously initiated an investigation of this program.¹¹⁷

Financial Contribution: The petitioner alleges that the exemption of duty fees under this program constitutes a financial contribution in the form of revenue foregone within the meaning

¹¹⁴ *Id.* at 98 (citing Exhibit III-G-4).

¹¹⁵ *Id.* (citing Sodium Initiation Checklist at 42-43).

¹¹⁶ *Id.* at 81 (citing Quartz Initiation Checklist at 30-31).

¹¹⁷ *Id.* at 82 (citing Quartz Initiation Checklist at 30-31).

of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this subsidy is specific under section 771(5A)(D)(i) of the Act because the recipients are limited as a matter of law to certain enterprises, namely manufacturers located in the Foshan High-Tech Industrial Zone. Additionally, the petitioner alleges that the subsidy is likely specific under sections 771(5A)(A) and (B) of the Act because there is a reasonable basis to believe or suspect that the zone is linked with the GOC's policies to promote exports from Export Bases. The petitioner also states that the subsidy is specific pursuant to section 771(5A)(D)(iv) of the Act because it is limited to enterprises located in designated geographic regions.

Benefit: The petitioner alleges that this program confers a benefit to recipients in the amount of customs duties exempted pursuant to section 771(5)(E) of the Act.

Support: We examined the evidence provided to support the allegation on pages 81 and 83 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

5. City Maintenance Fee Exemptions - Foshan High-Tech Industrial Development Zone

Description: The petitioner alleges that HNTes in the Foshan High-Tech Industrial Development Zone are exempted from the city maintenance fee.¹¹⁸ The petitioner states that Commerce has previously initiated an investigation of this program.¹¹⁹

Financial Contribution: The petitioner alleges that the city maintenance fee exemption under this program constitutes a financial contribution in the form of revenue foregone within the meaning of section 771(5)(D)(ii) of the Act.

Specificity: The petitioner alleges that this subsidy is specific under section 771(5A)(D)(i) of the Act because the recipients are limited as a matter of law to certain enterprises, namely manufacturers located in the Foshan High-Tech Industrial Zone. Additionally, the petitioner alleges that the subsidy is likely specific under sections 771(5A)(A) and (B) of the Act because there is a reasonable basis to believe or suspect that the zone is linked with the GOC's policies to promote exports from Export Bases. The petitioner also states that the subsidy is specific pursuant to section 771(5A)(D)(iv) of the Act because it is limited to enterprises located in designated geographic regions.

Benefit: The petitioner alleges that this program confers a benefit to recipients in the amount of

¹¹⁸ *Id.* at 81 (citing Quartz Initiation Checklist at 31).

¹¹⁹ *Id.* at 82 (citing Quartz Initiation Checklist at 31).

city-level fees exempted pursuant to section 771(5)(E) of the Act.

Support: We examined the evidence provided to support the allegation on pages 81, and 83 through 84 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

D. Provision of Goods and Services for Less Than Adequate Remuneration

1. Provision of Electricity for LTAR

Description: The petitioner alleges that Commerce discovered that electricity prices were not set by the individual provinces, but rather by China’s National Development and Reform Commission (NDRC).¹²⁰ The petitioner asserts that although the GOC has argued that the provinces have the authority to set their own prices under the Notice of NDRC on Lowering Coal-Fired Electricity On-Grid Price and General Industrial and Commercial Electricity Price (Notice 3105), Commerce has found that “both Notice 3105 and the Notice of National Development and Reform Commission on Adjusting Schedule of Coal-fired Power Generation Grid Purchase Price and Sale Price of Industrial and Commercial Electricity of Each Province (District or City) (Notice 748) explicitly direct provinces to reduce prices and to report the enactment of those changes to the NDRC.”¹²¹ Thus, the petitioner asserts that Commerce should examine the provision of electricity to ceramic tile producers for LTAR.

Financial Contribution: The petitioner alleges that the provision of electricity by the government constitutes a financial contribution under section 771(5)(D)(iii) of the Act.

Specificity: The petitioner asserts that, pursuant to section 771(5A)(D)(iii) of the Act, the provision of discounted electricity is *de facto* specific because officials use their discretion to administer the discounted rates to a limited group of preferred enterprises and industries, specifically, priority industries such as the building materials and non-metallic minerals industries. The petitioner also states that this program is specific pursuant to section 771(5A)(D)(iv) of the Act because of discriminatory electricity pricing on a regional basis by the central government.

Benefit: The petitioner asserts that, pursuant to section 771(5)(E)(iv) of the Act, the program confers a benefit because the GOC provides a good for LTAR. The benefit is equal to the

¹²⁰ See Welded Line Pipe IDM at 29.

¹²¹ See Volume III of the Petition at 43 and Exhibits III-D-9 and III-D-10; see also *Certain Quartz Surface Products from the People’s Republic of China: Preliminary Determination, and Alignment of Final Determination with Final Antidumping Duty Determination*, 83 FR 47881 (September 21, 2018) (*Quartz Preliminary Determination*), and accompanying Preliminary Decision Memo (Quartz PDM) at 20.

difference between what the entity paid for the good and the adequate remuneration, as defined by 19 CFR 351.511(a)(2).

Support: We examined the evidence provided to support the allegation on pages 42 through 45 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has previously determined that the provision of electricity for LTAR confers a countervailable subsidy.¹²²

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

2. Provision of Land for LTAR to Encouraged Industries

Description: The petitioner contends that the GOC prohibits private land ownership in China and that all land belongs to the government, at the national, local, or “collective” village/township level.¹²³ The petitioner asserts that a variety of national and local industrial plans call for authorities to use preferential land-related policies to support encouraged industries such as the building materials/supplies industry, which includes ceramic tile producers.¹²⁴ The petitioner notes that although private entities may purchase land-use rights, Commerce has previously found that the purchase of land-use rights in China is not conducted in accordance with market principles due to the GOC’s ability to control the pricing and allocation of land.¹²⁵ The petitioner also notes that Commerce has previously initiated an investigation of this program.¹²⁶

Financial Contribution: The petitioner alleges that the provision of land by the government constitutes a financial contribution under section 771(5)(D)(iii) of the Act.

Specificity: The petitioner asserts that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to certain enterprises.

Benefit: The petitioner asserts that, pursuant to section 771(5)(E)(iv) of the Act, the program confers a benefit because the GOC provides a good for LTAR. The benefit is equal to the

¹²² See, e.g., *Certain Carbon and Alloy Steel Cut-to-Length Plate from the People’s Republic of China: Final Affirmative Countervailing Duty Determination*, 82 FR 8507 (January 26, 2017) (*CTL Final Determination*) and accompanying Issues and Decision Memorandum (CTL Plate IDM) at 24; *Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People’s Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 81 FR 46643 (July 18, 2016) (*SSSS Preliminary Determination*), and accompanying Preliminary Decision Memorandum (SSSS PDM) at 24 (unchanged in Final, 82 FR 9714 (February 8, 2017)).

¹²³ See Volume III of the Petition at 46; see also *Antidumping Duty Investigation of Certain Aluminum Foil from the People’s Republic of China* Memorandum, “China’s Status as a Non-Market Economy,” dated October 26, 2017 at 95.

¹²⁴ See Volume III of the Petition at 46-47 and Exhibits III-d-1 through III-D-2.

¹²⁵ See *Welded Line Pipe* IDM at 16.

¹²⁶ See *Quartz* Initiation Checklist at 19-20.

difference between what the entity paid for the good and the adequate remuneration, as defined by 19 CFR 351.511(a)(2).

Support: We examined the evidence provided to support the allegation on pages 46 through 48 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has previously countervailed this program.¹²⁷

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

3. Provision of Water for LTAR

Description: The petitioner alleges that ceramic tile producers receive water at preferential prices.¹²⁸ The petitioner states that because China's building materials industry is an encouraged industry, and because water is an input in the production of ceramic tile, it is likely that Chinese ceramic tile producers receive benefits under this program.¹²⁹ The petitioner asserts that such benefits could include preferential water rates and usage restrictions from the central government, as well as provincial and local governments.¹³⁰ The petitioner also states that Commerce has previously investigated this program.¹³¹

Financial Contribution: The petitioner alleges that the provision of water at discounted prices is a financial contribution pursuant to section 771(5)(D)(iii) of the Act.

Specificity: The petitioner asserts that, pursuant to section 771(5A)(D)(iii) of the Act, the provision of preferential water rates and usage restrictions is *de facto* specific because officials use their discretion to administer the discounted rates to a limited group of preferred enterprises and industries, specifically, encouraged industries such as the building materials industry. The petitioner also states that these decisions are made pursuant to policy directives and measures issued by the central and provincial governments. Therefore, the petitioner alleges that this program is also specific pursuant to section 771(5A)(D)(iv) of the Act because discriminatory pricing on a regional basis by the government is specific under the statute.

Benefit: The petitioner asserts that, pursuant to section 771(5)(E) of the Act, a benefit is conferred because the central local, and provincial governments provide discounted water to ceramic tile producers, thereby providing a good or service for LTAR.

Support: We examined the evidence provided to support the allegation on pages 48 through 49 of Volume III of the Petition, including the referenced exhibit therein. We relied on all information submitted.

¹²⁷ See Welded Line Pipe IDM at 16.

¹²⁸ See Volume III of the Petition at 48.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ 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 Final Determination*).

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. We recommend finding that this program provides a benefit pursuant to section 771(5)(E)(iv) of the Act.

4. Provision of Clay for LTAR

Description: The petitioner asserts that the GOC has historically favored the building materials industry, which includes ceramic tile, and has instituted policies directing resources to its development.¹³² Under its industrial structure policy, the GOC has extensive involvement in the allocation of resources, including mineral resources.¹³³ For example, the *Development Plan for the Building Materials Industry* provides that non-metallic minerals are important supporting materials for natural economic and social development and high-tech industries.¹³⁴ Further, the *Non-Metallic Mineral Industry '13th Five-Year' Development Plan* identifies overcapacity as a problem for the non-metallic minerals industry and states that the product structure of the industry is “unreasonable.”¹³⁵ This plan also, however, states that the GOC will “guide the allocation of high-quality elements to key enterprises, support and foster the development of resource-specific industrial clusters, and promote the rapid development of the industry.”¹³⁶ Clay is included among the non-metallic materials covered by and listed as a “focus” of this plan.¹³⁷ The *Reasonable Development and Utilization of Kaolin Mineral Resources “Three Rate” Indicator Requirements* document explicitly calls for the close supervision and management of the kaolin mining enterprises by the GOC.¹³⁸

The petitioner adds that kaolin clay is an input for the manufacture of ceramic tile.¹³⁹ As such, the petitioner alleges that the GOC is likely providing clay to Chinese ceramic tile producers for LTAR. The petitioner further notes that the GOC industrial policies also apply to purportedly private Chinese companies, as the Chinese mining sector is still largely under the government control.¹⁴⁰

Financial Contribution: The petitioner alleges the program provides a financial contribution in the form of the provision of a good within the meaning of section 771(5)(D)(iii) of the Act, because the GOC, through its state-owned and controlled suppliers, is providing a good to ceramic tile producers.

¹³² See Volume III of the Petition at Exhibit III-16. The *Non-Metallic Minerals Industry Twelfth Five Year Plan* states that “{n}onmetallic minerals and processed products are indispensable raw materials and products for economic and social development, and are also important supporting materials for the development of new and high technology industries.”

¹³³ *Id.* at 51-54.

¹³⁴ *Id.* at 50 (citing Exhibit III-16).

¹³⁵ *Id.* at Exhibit III-D-6.

¹³⁶ *Id.*

¹³⁷ *Id.* at 54 and Exhibits III-D-6 through III-D-7.

¹³⁸ *Id.* at Exhibit III-D-7a.

¹³⁹ See China CVD Petition Supplement at 7.

¹⁴⁰ *Id.* at 52-33 and Exhibits III-D-4 through III-D-5.

Specificity: The petitioner alleges that the benefits from this program are specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because China's state-owned and controlled clay producers provide clay to a limited number of enterprises or industries. The petitioner also alleges that the program is specific under section 771(5A)(D)(i) of the Act because the GOC has in place industrial policies that direct the clay and building materials industries to work together to achieve the country's industrial policies.

Benefit: The petitioner asserts that the benefit from this program is equal to the difference between the price paid to the government authority and the price that would have been paid for the good at market-determined prices, in accordance with section 771(5)(E)(iv) of the Act.

Support: We examined the evidence provided to support the allegation on pages 49 through 56 of Volume III of the Petition, and pages 7-28 of China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has previously initiated an investigation of this program.¹⁴¹

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

5. Provision of Feldspar for LTAR

Description: The petitioner asserts that the GOC has historically favored the building materials industry, which includes ceramic tile, and has instituted policies directing resources to its development.¹⁴² Under its industrial structure policy, the GOC has extensive involvement in the allocation of resources, including mineral resources.¹⁴³ For example, the *Development Plan for the Building Materials Industry* provides that non-metallic minerals are important supporting materials for natural economic and social development and high-tech industries.¹⁴⁴ Further, the *Non-Metallic Mineral Industry '13th Five-Year' Development Plan* identifies overcapacity as a problem for the non-metallic minerals industry and states that the product structure of the industry is "unreasonable."¹⁴⁵ This plan also, however, states that the GOC will "guide the allocation of high-quality elements to key enterprises, support and foster the development of resource-specific industrial clusters, and promote the rapid development of the industry."¹⁴⁶ Feldspar is identified as a "focus" of this plan.¹⁴⁷

¹⁴¹ Commerce has investigated the kaolin clay for LTAR program in the past. See *Print Graphics Final Determination*, 75 FR 59212, 59214 (September 27, 2010).

¹⁴² See Volume III of the Petition at Exhibit III-16. The *Non-Metallic Minerals Industry Twelfth Five Year Plan* states that "{n}onmetallic minerals and processed products are indispensable raw materials and products for economic and social development, and are also important supporting materials for the development of new and high technology industries."

¹⁴³ *Id.* at 51-54.

¹⁴⁴ *Id.* at 50 (citing Exhibit III-16).

¹⁴⁵ *Id.* at Exhibit III-D-6.

¹⁴⁶ *Id.*

¹⁴⁷ See Volume III of the Petition at 56 and Exhibit III-D-6.

Further, the petitioner asserts that feldspar is derived from kaolin mines and covered by the *Reasonable Development and Utilization of Kaolin Mineral Resources “Three Rate” Indicator Requirements.*¹⁴⁸ The petitioner asserts that, based on the policy of favoring the building materials industry as an encouraged industry, the GOC is likely providing feldspar to Chinese ceramic tile producers for LTAR.¹⁴⁹

Financial Contribution: The petitioner alleges the program provides a financial contribution in the form of the provision of a good within the meaning of section 771(5)(D)(iii) of the Act, because the GOC, through its state-owned and controlled suppliers, is providing a good to ceramic tile producers.

Specificity: The petitioner alleges that the benefits from this program are specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because China’s state-owned and controlled feldspar producers provide feldspar to a limited number of enterprises or industries. The petitioner also alleges that the program is specific under section 771(5A)(D)(i) of the Act because the GOC has in place industrial policies that direct the feldspar and building materials industries to work together to achieve the country’s industrial policies.

Benefit: The petitioner asserts that the benefit from this program is equal to the difference between the price paid to the government authority and the price that would have been paid for the good at market-determined prices, in accordance with section 771(5)(E)(iv) of the Act.

Support: We examined the evidence provided to support the allegation on pages 56 through 56 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

6. Provision of Sand for LTAR

Description: The petitioner asserts that the GOC has historically favored the building materials industry, which includes ceramic tile, and has instituted policies directing resources to its development.¹⁵⁰ Under its industrial structure policy, the GOC has extensive involvement in the allocation of resources, including mineral resources.¹⁵¹ For example, the *Development Plan for the Building Materials Industry* provides that non-metallic minerals are important supporting materials for natural economic and social development and high-tech industries.¹⁵² Further, the

¹⁴⁸ *Id.* at Exhibit III-D-7a.

¹⁴⁹ *Id.* at 56.

¹⁵⁰ See Volume III of the Petition at Exhibit III-16. The *Non-Metallic Minerals Industry Twelfth Five Year Plan* states that “{n}onmetallic minerals and processed products are indispensable raw materials and products for economic and social development, and are also important supporting materials for the development of new and high technology industries.”

¹⁵¹ *Id.* at 51-54.

¹⁵² *Id.* at 50 (citing Exhibit III-16).

Non-Metallic Mineral Industry '13th Five-Year' Development Plan identifies overcapacity as a problem for the non-metallic minerals industry and states that the product structure of the industry is “unreasonable.”¹⁵³ This plan also, however, states that the GOC will “guide the allocation of high-quality elements to key enterprises, support and foster the development of resource-specific industrial clusters, and promote the rapid development of the industry.”¹⁵⁴ Record information indicates that this GOC minerals plan covers sand.¹⁵⁵

The petitioner also alleges that the *Notice on Strict Control of Issues Related to Exploration and Exploitation of Construction Sands in the Sea Area*, as promulgated by the Ministry of Land and Resources, underscores the GOC’s control over lands in China and the attendant resources.¹⁵⁶ Specifically, it provides that the “exploration and mining of sand in the sea area are strictly controlled.”¹⁵⁷ As indicated above, and based on policy favoring the building materials industry as an encouraged industry, the petitioner claims that it is reasonable to assume that the GOC is likely providing sand to ceramic tile producers for LTAR.¹⁵⁸

Financial Contribution: The petitioner alleges the program provides a financial contribution in the form of the provision of a good within the meaning of section 771(5)(D)(iii) of the Act.

Specificity: The petitioner alleges that the program is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because China’s state-owned and controlled sand producers provide sand to a limited number of enterprises or industries. The petitioner also alleges that the program is specific under section 771(5A)(D)(i) of the Act because the GOC has in place industrial policies that direct the sand and building materials industries to work together to achieve the country’s industrial policies.

Benefit: The petitioner alleges that this program provides a benefit under section 771(5)(E)(iv) of the Act equal to the difference between the price that ceramic tile producers paid to the government authority and the price that would have been paid for the good at market-determined prices.

Support: We examined the evidence provided to support the allegation on pages 57 through 59 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has previously initiated an investigation of a similar program.¹⁵⁹

Recommendation: The team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

¹⁵³ *Id.* at Exhibit III-D-6.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.* at Exhibit III-D-3 (section 12.3.1.1).

¹⁵⁶ *Id.* at 57 and Exhibit III-D-8.

¹⁵⁷ *Id.* at 57-58.

¹⁵⁸ *Id.* at 58.

¹⁵⁹ *See* Quartz Initiation Checklist at 22-23.

7. Provision of Land for LTAR to Enterprises in Certain Industrial/Development Zones - Guangdong Qingyuan High-Tech Industrial Development Zone and Foshan High-Tech Industrial Development Zone¹⁶⁰

Description: The petitioner asserts that the GOC provides land for LTAR to ceramic tile producers that are located in certain industrial zones.¹⁶¹ Specifically, the petitioner alleges that ceramic tile producers located in the Guangdong Qingyuan High-Tech Industrial Development Zone¹⁶² and Foshan High-Tech Industrial Development Zone likely received land for LTAR. The petitioner provides evidence that producers of ceramic tile are located in these zones and that zone authorities offer preferential pricing for land-use rights to companies located in the zones.¹⁶³ The petitioner states that Commerce has previously found this program to be countervailable.¹⁶⁴

Financial Contribution: The petitioner alleges that the provision of land for LTAR constitutes a financial contribution through the provision of a good within the meaning of section 771(5)(D)(iii) of the Act.

Specificity: The petitioner alleges that the provision of land for LTAR in special industrial and/or development zones is specific in accordance with section 771(5A)(D)(iv) of the Act because the land-use rights at issue are located within designated geographical regions of the jurisdictions providing them.

Benefit: The petitioner alleges that benefits in the form of land provided for LTAR fall within the scope of 19 CFR 351.511(a)(2), and states that such benefits are equal to the difference between the price paid and the market-determined price for the land resulting from actual transactions.

Support: We examined the evidence provided to support the allegation on pages 85 through 87, and 34 of Volume III of the Petition and page 5 of China CVD Petition Supplement, including all referenced exhibits therein. We relied on all information submitted.

Recommendation: The team finds that the petitioner provided sufficient support indicating that land-use rights in the zones identified above may have been provided on a preferential basis to ceramic tile producers. Accordingly, the team recommends initiating on the allegation with

¹⁶⁰ This program was also alleged as Land Use Reductions separately on page 84 of the Volume III of the Petition.

¹⁶¹ *Id.* at 85.

¹⁶² *Id.* at 85-86 and Exhibit III-F-3b.

¹⁶³ *Id.* at 85-86 and Exhibits III-F-2 and III-F-3a. *See also* China CVD Petition Supplement at 5.

¹⁶⁴ *See* Volume III of the Petition at 85 (citing *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) (*LWS Final Determination*), and accompanying Issues and Decision Memorandum at 14-18 (*LWS IDM*), and *Lightweight Thermal Paper IDM* at 22.

regard to land-use rights in the particular zones identified above.

8. Provision of Electricity for LTAR in Certain Industrial/Development Zones - Nanchang Economic Development Zone, Zhenjiang Economy Development Zone, and Yangpu Economic Development Zone

Description: The petitioner alleges that the GOC provides electricity for LTAR to ceramic tile producers that are located in certain industrial/development zones.¹⁶⁵ The petitioner asserts that Nanchang Montary Industrial Co., Ltd. is located in or near the Nanchang Economic Development Zone, which advertises “price advantages in ... electricity ...”¹⁶⁶ Additionally, the petitioner alleges that the Zhenjiang local government provides discounted electricity to ceramic tile producers that are located in Zhenjiang Economy Development Zone.¹⁶⁷ The petitioner alleges that ceramic tile producer Zhenjiang Dantu District Changshan Ceramic Refectory Material Factory is a likely recipient of the subsidies under this program due to its location in this zone.¹⁶⁸ Further, the petitioner claims that the Yangpu local government provides discounted electricity rates to ceramic tile producers such as Yangpu Luji Environmental Insulation Brick Co., Ltd., which is located in the Yangpu Economic Development Zone.¹⁶⁹

Financial Contribution: The petitioner alleges that the provision of electricity by the government constitutes a financial contribution under section 771(5)(D)(iii) of the Act in the form of the provision of a good.

Specificity: The petitioner asserts that this program is specific pursuant to section 771(5A)(D)(iv) of the Act because the provision of LTAR is limited to enterprises or industries in designated geographical areas within a government’s jurisdiction. Further, the petitioner asserts that this program is specific under section 771(5A)(D)(i) of the Act because potential recipients are limited by law to a group of enterprises, based on the GOC’s policy to provide preferential support to the ceramic tile industry.

Benefit: The petitioner asserts that, pursuant to section 771(5)(E)(iv) of the Act, the program confers a benefit because the GOC provides a good for LTAR. The benefit is equal to the difference between what the entity paid for the good and the adequate remuneration, as defined by 19 CFR 351.511(a)(2).

Support: We examined the evidence provided to support the allegation on pages 87-94 of Volume III of the Petition, including all referenced exhibits therein, along with pages 6 through 7 of China CVD Petition Supplement, including all referenced exhibits therein. We relied on all

¹⁶⁵ See Volume III of the Petition at 87-94.

¹⁶⁶ *Id.* at Exhibit III-F-3 and Exhibit III-F-5.

¹⁶⁷ *Id.* at 89-90 and Exhibits III-F-9 through III-F-10.

¹⁶⁸ *Id.* at 90 and Exhibits III-F-14 through III-F-15.

¹⁶⁹ *Id.* at 90-91; see also China CVD Petition Supplement at 6-7 and Supplemental Exhibits III-17 through III-F-18.

information submitted. Further, Commerce has previously determined that the provision of electricity for LTAR confers a countervailable subsidy.¹⁷⁰

Recommendation: The team finds that the petitioner provided sufficient support indicating that electricity may have been provided on a preferential basis to ceramic tile producers in the zones listed above. Accordingly, the team recommends initiating on the allegation with regard to the provision of electricity for LTAR in the particular zones identified above.

E. Grant Programs

1. Subsidies for Development of “Brands”

Description: The petitioner alleges that the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (a ministerial administrative body directly under the State Council) “organizes the implementation of the State Quality Award system and the promotion of the strategy of Famous Brand Names.”¹⁷¹ The petitioner states that the Office of the United States Trade Representative has summarized that the “Famous Brands” and “China World Top Brands” programs provide “grants, loans, and other incentives to enterprises in China, apparently in part to implement an industrial policy of promoting the development of global Chinese brand names, and to increase sales of Chinese-branded and other Chinese merchandise around the world.”¹⁷² The petitioner claims that China reached an agreement with the United States in 2009 under which China would terminate such subsidies. However, the United States recently informed the World Trade Organization (WTO) that China has not followed through, stating:

Since {the 2009 agreement}, the United States has discovered central and sub-central measures implementing the ‘Internationally Well-Known Brand’ program. Many of these measures, at both the central and sub-central levels, indicate that the new program is the successor to the Famous Export Brand program.

While China recently notified many of the terminated, amended or expired *sub-central* government Famous Export Brand measures, it does not appear to have notified any terminated, amended or expired *central* government Famous Export Brand measures. Furthermore, it appears that *none* of the Internationally Well-Known Brand measures have ever been notified at the central or sub-central levels of government.¹⁷³

¹⁷⁰ See, e.g., *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) (*Seamless Pipe Final Determination*) and accompanying Issues and Decision Memorandum (Seamless Pipe IDM) at 18-19.

¹⁷¹ See Volume III of the Petition at Exhibit III-E-1 (containing *Mission*, General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, Website Excerpt)).

¹⁷² See *WTO Dispute Settlement Proceeding Regarding China-Grants, Loans and Other Incentives*, 74 FR 7494 (February 17, 2009).

¹⁷³ See Volume III of the Petition at Exhibit III-8 (containing *Request from United States to China Pursuant to Article 25.10 of the Agreement*, World Trade Organization (April 13,2017) at 1).

The petitioner contends that Commerce has previously found assistance provided to Chinese companies for development of “Brands” are countervailable.¹⁷⁴ It has also found that the “Brands” promotion programs to be administered at the central, provincial, and municipal government level.¹⁷⁵ Ceramic tile producers have likely benefitted from this designation. Foshan Jinduo Ceramics Co., Ltd. and Overland Ceramics Co., Ltd. have been deemed a “Guangdong Famous Trademarks.” TianXin Ceramics Co., Ltd. has been designated a “China Famous Brand Product” and a “Famous Brand Product in the Chinese Ceramic Industry.”¹⁷⁶ The petitioner notes that Commerce has previously initiated an investigation of this program.¹⁷⁷

Financial Contribution: The petitioner asserts that the program provides a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner claims that this program is specific under sections 771(5A)(A) and (B) of the Act, because it is contingent upon export performance.

Benefit: The petitioner states that this program provides a benefit as defined by section 771(5)(E) and in the amount of the grants from the national, provincial, and local government according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 59 through 61 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.¹⁷⁸

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

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

Description: The petitioner alleges that Commerce has found that the SME International Market Exploration/Development Fund was established to encourage the development of SMEs by reducing the risk of operation for these enterprises in the international market.¹⁷⁹ An SME qualifies for the program if it has: 1) export and import rights; 2) exports of less than \$15 million; 3) an accounting system; 4) personnel with foreign trade skills; and 5) a plan for

¹⁷⁴ *Id.* at 60 (citing Aluminum Extrusions IDM 2015 at 48).

¹⁷⁵ *Id.*

¹⁷⁶ *Id.* at 60 and Exhibit III-14 (containing Foshan Jinduo Ceramics Co., Ltd., Website Excerpts at 1); Exhibit III-13 (containing Overland Ceramics Co., Ltd., Website Excerpts at 5); and Exhibit III-B-2 (containing TianXin Ceramics Co., Ltd., Website Excerpts at 1)).

¹⁷⁷ *Id.* at 60 (citing *e.g.*, Sodium Initiation Checklist at 27-29).

¹⁷⁸ *See* Aluminum Extrusions IDM 2015 at 48.

¹⁷⁹ *See* Volume III of the Petition at 61 (citing Aluminum Extrusions IDM at 21).

exploring the international market.¹⁸⁰ The petitioner claims that after the GOC promulgated its *Measures for Administration of International Market Developing Funds of Small- and Medium-Sized Enterprises* in May 2010, the export value was increased to less than \$45 million in previous year.¹⁸¹ Additionally, the petitioner asserts that Commerce has also found that grants are administered by non-national government authorities.¹⁸² The petitioner asserts that given case precedent and the export orientation of ceramic tile producers, Commerce should investigate whether China's national, provincial, or local government has provided benefits under this program.¹⁸³

Financial Contribution: The petitioner asserts that the program provides a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner claims that this program is specific under section 771(5A)(A) and (B) of the Act, because it is contingent upon exports.

Benefit: The petitioner states that this program provides a benefit in accordance with 771(5)(E) of the Act and in the amount of the grant(s) according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 61 through 62 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.¹⁸⁴

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

3. Grants for Listing Shares

Description: The petitioner alleges that grants from local governments to companies that list shares are common in China.¹⁸⁵ For example, the Quanzhou Municipal Government facilitates public offerings by providing assistance in areas such as licensing, land use applications, and foreign exchange.¹⁸⁶ Additionally, each enterprise is provided with incentives specific to its circumstances.¹⁸⁷ The petitioner claims that if the incorporation of a joint stock company involves the transfer of land use rights or property ownership, then the expenses involved in the transfer can be cut in half.¹⁸⁸ The petitioner further claims that after reorganizing into a stock

¹⁸⁰ *Id.*

¹⁸¹ See Aluminum Extrusions IDM 2015 at 49.

¹⁸² See Stainless Steel Sinks IDM at 26.

¹⁸³ See Volume III of the Petition at 61-62

¹⁸⁴ See Aluminum Extrusions IDM at 21.

¹⁸⁵ See Volume III of the Petition at 62 and Exhibit III-E-2.

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

company, the tax increment will be returned in full after the enterprise goes public.¹⁸⁹ The petitioner also asserts that in certain cities, *e.g.*, Jinjiang city, local companies receive an additional bonus of RMB 3 million when they list.¹⁹⁰ The petitioner asserts that ceramic tile producers are eligible for this program to the extent that they are trading shares on stock exchanges.¹⁹¹ Ceramic tile producer Shanghai Cimic Tile Co., Ltd. has listed shares and would be eligible to receive benefits under this program.¹⁹² The petitioner notes that Commerce has previously initiated an investigation of this program.¹⁹³

Financial Contribution: The petitioner asserts that this program provides a financial contribution in the form of a direct transfer of funds from a government source in accordance with section 771(5)(D)(i) of the Act.

Specificity: The petitioner asserts that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to companies with listed shares. The petitioner also states that it is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because only a small number of Chinese companies are listed on stock exchanges.

Benefit: The petitioner contends that this program provides a benefit in the amount of the grants according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 62 and 63 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.¹⁹⁴

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

4. Foreign Trade Development Fund

Description: The petitioner alleges that Commerce has previously countervailed the GOC's provision of grants under the Foreign Trade Development Fund. The petitioner claims that under this program, the GOC provides grants to support projects undertaken by exporting companies 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 professional, and to explore international markets."¹⁹⁵ The petitioner states that the grants

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ *Id.* at 63.

¹⁹² *Id.* and Exhibit III-E-3.

¹⁹³ *Id.* (citing Sodium Initiation Checklist at 30).

¹⁹⁴ See *Aluminum Extrusions from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review and Rescission of Review, in Part; 2015*, 82 FR 26438 (June 7, 2017) (*Aluminum Extrusions Preliminary Results 2015*).

¹⁹⁵ See *Welded Line Pipe IDM* at 20.

are provided to firms that have annual exports of \$1,000,000 to \$5,000,000.¹⁹⁶ The petitioner alleges that multiple Chinese ceramic tile producers likely received benefits under this program.¹⁹⁷ The petitioner asserts that Commerce should investigate this program, as it has done in previous instances.¹⁹⁸

Financial Contribution: The petitioner asserts that the program provides a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.¹⁹⁹

Specificity: The petitioner claims that this program is specific under sections 771(5A)(A) and (B) of the Act, because it is contingent upon exports.

Benefit: The petitioner states that this program provides a benefit in the amount of the grant(s) according to section 771(5)(E) of the Act.

Support: We examined the evidence provided to support the allegation on pages 64 through 65 of Volume III of the Petition, including all referenced previous proceedings therein. We relied on all information submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.²⁰⁰

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

5. Grants for Antidumping Investigations

Description: The petitioner alleges that several sub-central governments provide grants to Chinese companies to defend foreign antidumping investigations.²⁰¹ The petitioner states that Commerce has previously determined that this program was countervailable.²⁰² For example, the petitioner claims that Shandong Province provides government grants when its companies are involved in foreign antidumping investigations.²⁰³ In awarding these grants, the petitioner contends that the government considers whether the company made export sales and cooperated in the antidumping investigations.²⁰⁴ The petitioner states that, as many of the largest ceramic tile producers are located in Shandong Province, these companies would be eligible to receive

¹⁹⁶ See Volume III of the Petition (citing *Calcium Hypochlorite from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination*, 79 FR 30082 (May 27, 2014) (*Calcium Hypochlorite Preliminary Determination*), and accompanying Preliminary Decision Memorandum (Calcium Hypochlorite PDM) at 21).

¹⁹⁷ See Volume III of the Petition at 64.

¹⁹⁸ See, e.g., *Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 80 FR 73722 (November 25, 2015), and accompanying Initiation Checklist (Iron Mechanical Transfer Drive Components Initiation Checklist) at 11.

¹⁹⁹ See Volume III of the Petition at 64.

²⁰⁰ See, e.g., *Welded Line Pipe IDM* at 20.

²⁰¹ See Volume III of the Petition at 65.

²⁰² See *Citric Acid 2011 Review IDM* at 22-23.

²⁰³ *Id.*

²⁰⁴ See Volume III of the Petition at 65.

benefits under this program.²⁰⁵ Accordingly, the petitioner states that Commerce should investigate the provision of this subsidy to ceramic tile producers, particularly in light of the European Union's existing antidumping order on ceramic tile.²⁰⁶

Financial Contribution: The petitioner asserts that the program provides a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner claims that this program is specific under section 771(5A)(B) of the Act, because it is contingent upon export performance.

Benefit: The petitioner states that this program provides a benefit in the amount of the grant(s) according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 65 through 66 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.²⁰⁷

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

6. Clean Production Technology Fund

Description: The petitioner alleges that the Clean Production Technology Fund program, which started on October 2004 pursuant to the "Provisional Measures on Clean Production Inspection," provides grants to producers.²⁰⁸ The petitioner claims that according to Article 21 of those measures, funds are granted to enterprises that voluntarily undertake "clean production inspection with remarkable achievement after the implementation of clean production plans, development and reform commissions and environmental protection administration."²⁰⁹ Further, the petitioner contends that Article 22 provides that the "development and reform commissions" have the power to designate clean production projects among the clean production implementation plans undertaken by the enterprises for energy saving, water saving, comprehensive utilization, increasing energy utilization rates, and preventing pollution.²¹⁰ The petitioner asserts that this program is implemented at the local level.²¹¹ Overland Ceramics Co., Ltd., located in Guangdong, is rated as a "Clean Production Enterprise of Guangdong {Province} {sic}," indicating that it may have received grants under this program.²¹²

Financial Contribution: The petitioner states that the program provides a financial contribution

²⁰⁵ See Volume I of the Petition at Exhibit III-10.

²⁰⁶ See Volume III of the Petition at 65.

²⁰⁷ See, e.g., *Citric Acid 2011 Review Final Results*.

²⁰⁸ See CFS Paper IDM at 15.

²⁰⁹ See Volume III of the Petition at 66 and Exhibit III-E-5.

²¹⁰ *Id.*

²¹¹ See CFS Paper IDM at 15.

²¹² See Volume III of the Petition at Exhibit III-13.

in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner contends that the program is specific under section 771(5A)(D)(iii)(IV) of the Act because of the discretion exercised by the GOC when selecting companies to participate. The petitioner also asserts that the program is specific under section 771(5A)(D)(iii)(I) of the Act because recipients of the subsidy are limited number and provided to those in certain favored industries such as the building materials industry.

Benefit: The petitioner asserts that the amount of the benefit from this program is the amount of the grant according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on page 66 through 67 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has previously countervailed this program.²¹³

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

7. Environmental Protection Special Fund

Description: The petitioner alleges that the GOC provides a fund to cover environmental protection within its budget which provides “grants and loan interest subsidies” to companies in key industries engaging in certain pollution prevention and treatment projects.²¹⁴ As discussed above, the petitioner claims that the building materials industry, which includes ceramic tile producers, is a favored industry of the GOC.²¹⁵ As such, it is likely that ceramic tile producers received subsidies under this program.

Financial Contribution: The petitioner alleges that this program confers a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner states that this program is specific within the meaning of section 771(5A)(D)(i) of the Act, because the program is limited to key industries, and also asserts that grants provided under this program are specific under sections 771(5A)(D)(ii)(I) and (III) of the Act because of the discretion the GOC exercises in selecting beneficiaries.

Benefit: The petitioner asserts that grants pursuant to this program provide a benefit in the amount received according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 67 and 68 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information

²¹³ See CFS Paper Final Determination.

²¹⁴ See Volume III of the Petition at Exhibits III-E-6 and III-E-7.

²¹⁵ *Id.* at 68.

submitted. Moreover, Commerce has investigated this program in previous CVD proceedings.²¹⁶

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above. However, we do not recommend initiating this program under Section 771(5A)(D)(ii)(I) and (III) of the Act. As the alleged program is limited to key industries, initiating on this program as specific under section 771(5A)(D)(i) of the Act is adequate.

8. Guangdong Supporting Fund

Description: The petitioner alleges that Commerce has found the Provincial Government of Guangdong established the Guangdong Supporting Fund in 2009 to help companies affected by the economic crisis.²¹⁷ The petitioner asserts that the local government authorities disbursed grants to “enterprises in difficulty” in the “clothing, textile, toys, printing, packing, electronics, house appliance, hardware and plastics, and furniture business.”²¹⁸ Further, the petitioner asserts that ceramic tile producers are likely eligible for this fund based upon their location in Guangdong.²¹⁹ As such, the petitioner asserts that Commerce should initiate an investigation into whether ceramic tile producers used this program during the proposed period of investigation.

Financial Contribution: The petitioner alleges that this program confers a financial contribution through a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner states that this program is specific within the meaning of section 771(5A)(D)(i) of the Act, because the program is limited to certain industries.

Benefit: The petitioner asserts that grants pursuant to this program provide a benefit in the amount received according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on page 69 of Volume III of the Petition, including the referenced exhibit therein. We relied on all information submitted. Moreover, Commerce has investigated this program in a previous CVD proceeding.²²⁰

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

²¹⁶ See, e.g., *Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review*; 2015, 82 FR 46754 (October 6, 2017).

²¹⁷ See *Kitchen Racks Preliminary Results*, 76 FR 62364, 62370 (October 7, 2011).

²¹⁸ *Id.*

²¹⁹ See Volume III of the Petition at Exhibit III-10.

²²⁰ See *Kitchen Racks Preliminary Results*, 76 FR 62364, 62370 (October 7, 2011).

9. Guangdong Province HNTE Incubation Program

Description: The petitioner alleges that the Guangdong provincial government created the Guangdong Province HNTE Incubation Program (Guangdong Incubation Program) in 2016 to assist companies operating under HNTE status.²²¹ Through this program, companies operating in the Guangdong Province that experience difficulties establishing HNTE status with the central government can apply for the Incubation Program and earn eligibility through the provincial government.²²² The petitioner alleges that the Guangdong provincial government has allocated RMB 600 million to this program.²²³ The petitioner further alleges that if a company were to meet the application requirements and register as an HNTE in the Incubation Program, the company would receive a one-time government grant valued at five percent of the corporate income tax from the prior fiscal year.²²⁴ However, if the amount of the grant is calculated as less than RMB 300,000, the Guangdong provincial government will allot the company RMB 300,000.²²⁵ The petitioner alleges that if the amount of the grant is calculated as more than RMB 3 million, a maximum amount of RMB 3 million will be allotted to the company.²²⁶ In addition, the petitioner alleges that the participating enterprise is eligible to receive additional financial support up to RMB 6 million upon graduating from the Incubation Program and formally obtaining HNTE status.²²⁷ The petitioner asserts that ceramic tile producers likely benefitted from this program due to their concentration in Guangdong Province.²²⁸ Further, the petitioner provided information that Overland Ceramics Co., Ltd. is recognized as a “Guangdong Province High and New Technology product.”²²⁹ The petitioner states that Commerce has previously initiated an investigation of this program.²³⁰

Financial Contribution: The petitioner argues that the Guangdong Incubation Program constitutes a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that this program is specific under section 771(5A)(D)(i) of the Act because it is limited to HNTEs by the Guangdong provincial government.

Benefit: The petitioner contends that under the Incubation Program, the Guangdong provincial government provides a one-time grant equal to 5 percent of the corporate income tax amount paid for the prior fiscal year. No taxes are deducted or deferred, but rather the provincial

²²¹ See Volume III of the Petition at Exhibit III-E-8 (containing *Emerging Market Investors Associates* article entitled “China regional focus: Cash Incentives for High-Tech Companies in Guangdong Province).

²²² See Volume III pf the Petition at 69-70.

²²³ *Id.*

²²⁴ *Id.*

²²⁵ *Id.*

²²⁶ *Id.*

²²⁷ *Id.*

²²⁸ *Id.* at Exhibit III-10.

²²⁹ *Id.* at Exhibit III-13.

²³⁰ *Id.* (citing *Refillable Stainless Steel Kegs from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 52192 (October 16, 2018), and accompanying Initiation Checklist (Stainless Steel Kegs Initiation Checklist) at 21-22).

government provides the company with a grant worth the amount of taxes paid. Accordingly, the petitioner asserts that, pursuant to 19 CFR 351.504(a), the program confers a benefit in the amount of a grant provided by the provincial government

Support: We have examined the evidence provided to support the allegation on pages 69 through 71 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Moreover, Commerce has initiated this program in a previous CVD proceeding.²³¹

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

10. Export Interest Subsidies

Description: The petitioner alleges that provincial governments, such as those in Guangdong, Zhejiang, and Liaoning Province, in China provide grants in the form of assistance in paying interest on bank loans.²³² The petitioner asserts that ceramic tile producers are likely recipients of the subsidies under this program as several ceramic producers are located in provinces that provided such grants in the past.²³³ The petitioner notes that Commerce has previously investigated the provision of export interest subsidies by provincial governments.²³⁴

Financial Contribution: The petitioner states that the program provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner asserts that the receipt of export interest subsidies is contingent upon export performance, and thus, the program is specific within the meaning of sections 771(5A)(A) and (B) of the Act.

Benefit: The petitioner asserts that the program provides a benefit within the meaning of section 771(5)(E) of the Act.

Support: We examined the evidence provided to support the allegation on page 71 through 73 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has investigated and countervailed this program in the past.²³⁵

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

²³¹ See Stainless Steel Kegs Initiation Checklist at 21-22.

²³² See Volume III of the Petition at 71-72.

²³³ *Id.* at 72 and Exhibit III-10.

²³⁴ See Welded Line Pipe IDM at 22-23; see also Seamless Pipe IDM at 36; *Galvanized Steel Wire from the People's Republic of China*, 77 FR 17418 (Mar. 26, 2012) and accompanying Issues and Decision Memorandum (Galvanized Steel Wire IDM) at 22).

²³⁵ See, e.g., Welded Line Pipe IDM at 22-23.

11. Guangdong Provincial Fund for Fiscal and Technological Innovation

Description: The petitioner asserts that the Provincial Department of Finance and Economic and Trade Commission of Guangdong Province provides grants to certain firms with the goal of promoting technological and fiscal innovation.²³⁶ Given that at least one ceramic tile producer (*i.e.*, Foshan Tidiy Ceramics Co., Ltd.) is located in Guangdong Province, the petitioner asserts that ceramic tile producers likely received subsidies under this program.²³⁷ The petitioner also notes that Commerce has previously countervailed this program.²³⁸

Financial Contribution: The petitioner states that the program provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner contends that this program is specific under section 771(5A)(D)(iii)(IV) of the Act because the relevant government authorities use their discretion when selecting beneficiaries. Further, it is specific under section 771(5A)(D)(i) of the Act because it is limited by law to select enterprises.

Benefit: The petitioner asserts that grants pursuant to this program provide a benefit in the amount received according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on page 75 through 77 of Volume III of the Petition, including all referenced exhibits therein. We relied on all information submitted. Further, Commerce has investigated and countervailed this program in the past.²³⁹

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

12. Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises

Description: The petitioner alleges that Guangdong Province provides grants to support the adoption of e-commerce by foreign trade enterprises by means of four separate funds, including: 1) the special fund; 2) fund of provincial strategic new emerging industry; 3) special fund of internet services industry; and 4) special fund for small- and medium-enterprises.²⁴⁰ The petitioner asserts that at least one ceramic tile producer (*i.e.*, Foshan Xingtai Ceramics Co., Ltd.) is located in Guangdong Province, which makes it eligible for the receipt of subsidies

²³⁶ See Volume III of the Petition at 75; see also Aluminum Extrusions IDM at 27.

²³⁷ See Volume III of the Petition at 75 and Exhibit III-10.

²³⁸ See Aluminum Extrusions IDM at 27-28.

²³⁹ *Id.*

²⁴⁰ See Volume III of the Petition at 77 and Exhibit III-E-12.

under this program.²⁴¹ The petitioner notes that Commerce has previously initiated an investigation of this program.²⁴²

Financial Contribution: The petitioner states that the program provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner asserts that this program is specific within the meaning of section 771(5A)(D)(i) of the Act because it targets select enterprises.²⁴³

Benefit: The petitioner asserts that grants pursuant to this program provide a benefit in the amount received according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on page 77 through 78 of Volume III of the Petition, including the referenced exhibit therein, along with page 8 of China CVD Petition Supplement. We relied on all information submitted. Further, Commerce has previously countervailed this program.²⁴⁴ In *Stainless Steel Sinks Final Determination*, we found that this program is specific within the meaning of section 771(5A)(B) of the Act because it is contingent upon export.²⁴⁵

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition and China CVD Petition Supplement on the basis of the support provided therein as noted above.

13. Funds for Outward Expansion of Industries in Guangdong Province²⁴⁶

Description: The petitioner alleges that as established by the *Implementing Measures of Guangdong Province Concerning the Support of Development of Outward Privately Held Enterprises*, the goal of this program is to provide eligible private enterprises in Guangdong Province with special funds to develop their export activities.²⁴⁷ The petitioner alleges that this program provides grants 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.²⁴⁸ The petitioner asserts that at least one ceramic tile producer (*i.e.*, Guangdong Jiamei Ceramic Co.,

²⁴¹ *Id.* at 77-78 and Exhibit III-10.

²⁴² See *Certain Hardwood Plywood Products from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 81 FR 91131 (December 16, 2016), and accompanying Initiation Checklist at 20).

²⁴³ See Volume III of the Petition at Exhibit III-E-12; see also China CVD Petition Supplement at 8.

²⁴⁴ See *Stainless Steel Sinks IDM* at 28.

²⁴⁵ *Id.*

²⁴⁶ This program was also separately alleged as Export Assistance/Outward Expansion Grants in Guangdong Province on page 79 of the Volume III of the Petition. Because both allegations apparently pertain to the same program, we have limited our initiation of this program, as indicated above.

²⁴⁷ See Volume III of the Petition at 73; *Lightweight Thermal Paper IDM* at 19-20.

²⁴⁸ See Volume III of the Petition at 73 and 79; see also *Lightweight Thermal Paper IDM* at 19-20.

Ltd.) may have received subsidies under this program as it is located in Guangdong Province.²⁴⁹ The petitioner also notes that Commerce has previously countervailed this program.²⁵⁰

Financial Contribution: The petitioner alleges that the program provides a financial contribution in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

Specificity: The petitioner alleges that this program is specific within the meaning of section 771(5A)(A) and (B) of the Act because it is contingent upon export performance.

Benefit: The petitioner alleges that this program provides a benefit in accordance with 771(5)(E) of the Act and in the amount of the grant(s) according to 19 CFR 351.504(a).

Support: We examined the evidence provided to support the allegation on pages 73 through 74 and page 79 of Volume III of the Petition, including the referenced exhibit therein. We relied on all information submitted. Further, Commerce has previously countervailed this program.²⁵¹

Recommendation: Based on the supporting evidence, the team recommends initiating on the allegation as described in the Petition on the basis of the support provided therein as noted above.

RECOMMENDATION:

We examined the accuracy and adequacy of the evidence provided in the Petition as discussed in this checklist and attachments, and recommend determining that the evidence is sufficient to justify the initiation of a CVD investigation with regard to China. We also recommend determining that the Petition was filed by, or on behalf of, the domestic industry.

ATTACHMENTS:

- I. Scope of the Investigation
- II. Analysis of Industry Support
- III. Analysis of Allegations and Evidence of Material Injury and Causation
- IV. Notice of Institution from the ITC

²⁴⁹ See Volume III of the Petition at Exhibit III-10.

²⁵⁰ See Lightweight Thermal Paper IDM at 19-20.

²⁵¹ *Id.*

Attachment I

Scope of the Investigation

The merchandise covered by this investigation is ceramic flooring tile, wall tile, paving tile, hearth tile, porcelain tile, mosaic tile, flags, finishing tile, and the like (hereinafter ceramic tile). Ceramic tiles are articles containing a mixture of minerals including clay (generally hydrous silicates of alumina or magnesium) that are fired so the raw materials are fused to produce a finished good that is less than 3.2 cm in actual thickness. All ceramic tile is subject to the scope regardless of end use, surface area, and weight, regardless of whether the tile is glazed or unglazed, regardless of the water absorption coefficient by weight, regardless of the extent of vitrification, and regardless of whether or not the tile is on a backing. Subject merchandise includes ceramic tile with decorative features that may in spots exceed 3.2 cm in thickness and includes ceramic tile “slabs” or “panels” (tiles that are larger than 1 meter² (11 ft.²)).

Subject merchandise includes ceramic tile that undergoes minor processing in a third country prior to importation into the United States. Similarly, subject merchandise includes ceramic tile produced that undergoes minor processing after importation into the United States. Such minor processing includes, but is not limited to, one or more of the following: beveling, cutting, trimming, staining, painting, polishing, finishing, additional firing, or any other processing that would otherwise not remove the merchandise from the scope of the investigation if performed in the country of manufacture of the in-scope product.

Subject merchandise is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under the following subheadings of heading 6907: 6907.21.1005, 6907.21.1011, 6907.21.1051, 6907.21.2000, 6907.21.3000, 6907.21.4000, 6907.21.9011, 6907.21.9051, 6907.22.1005, 6907.22.1011, 6907.22.1051, 6907.22.2000, 6907.22.3000, 6907.22.4000, 6907.22.9011, 6907.22.9051, 6907.23.1005, 6907.23.1011, 6907.23.1051, 6907.23.2000, 6907.23.3000, 6907.23.4000, 6907.23.9011, 6907.23.9051, 6907.30.1005, 6907.30.1011, 6907.30.1051, 6907.30.2000, 6907.30.3000, 6907.30.4000, 6907.30.9011, 6907.30.9051, 6907.40.1005, 6907.40.1011, 6907.40.1051, 6907.40.2000, 6907.40.3000, 6907.40.4000, 6907.40.9011, and 6907.40.9051. Subject merchandise may also enter under subheadings of headings 6914 and 6905: 6914.10.8000, 6914.90.8000, 6905.10.0000, and 6905.90.0050. The HTSUS subheadings are provided for convenience and customs purposes only. The written description of the scope of this investigation is dispositive.

Attachment II

Analysis of Industry Support for the Antidumping and Countervailing Duty Petitions Covering Ceramic Tile from the People's Republic of China

Background

Sections 702(c)(4)(A) and 732(c)(4)(A) of the Tariff Act of 1930, as amended (the Act), state that the administering authority shall determine that a petition has been filed by or on behalf of the industry if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the “industry” as the producers, as a whole, of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product. Thus, to determine whether a petition has the requisite industry support, the Act directs the Department of Commerce (Commerce) to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether “the domestic industry” has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both Commerce and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, Commerce’s determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law.¹

Section 771(10) of the Act defines the domestic like product as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.” Thus, the reference point from which the domestic like product analysis begins is “the article subject to an investigation,” *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the Petitions.² While Commerce

¹ See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001) (citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff’d* 865 F.2d 240 (Fed. Cir. 1989)).

² See Antidumping and Countervailing Duty Petitions: Ceramic Tile from the People’s Republic of China, dated April 10, 2019 (the Petitions). Commerce deemed the Petitions to have been filed with Commerce on April 10, 2019. See Memorandum, “Decision Memorandum Concerning the Filing Date of the Petitions,” dated April 16, 2019. The petitioner filed “Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People’s Republic of China: FTCT’s Response to the Department’s Supplemental Questions on the Petition,” dated April 17, 2019 (General Issues Supplement), “Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People’s Republic of China: FTCT’s Response to the Department’s Supplemental Questions on the Petition,” dated April 22, 2019 (Second General Issues Supplement), and “Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People’s Republic of China: FTCT’s Response to the Department’s Third Supplemental Questions on General Issues of Petition pertaining to DOC Case Nos. A-570-108 & C-570-109,” dated April 25, 2019 (Third General Issues Supplement), in response to Commerce’s request for additional information regarding the Petitions.

is not bound by the criteria used by the ITC to determine the domestic like product in answering this question, we have reviewed these factors as presented by the petitioner³ in the Petitions.⁴ The criteria presented by the petitioner are: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities, production processes, and production employees; and (6) price.⁵ With respect to the domestic like product, the petitioner does not offer a definition of domestic like product distinct from the scope of the investigations and contends that the domestic like product should be defined as ceramic tile, “co-extensive with the scope.”⁶ For a detailed analysis and discussion, see the “Analysis of Domestic Like Product” section below.

Analysis of Domestic Like Product

For support of its domestic like product definition, the petitioner addresses the six criteria used by the ITC to determine the domestic like product and contends that all ceramic tile constitute a single like product.

Ceramic Tile

1) Physical Characteristics and Uses

The petitioner contends that all ceramic tile has the same physical characteristics and uses.⁷ The petitioner submits that all ceramic tile is made from a mixture of the same inputs of primarily clay, minerals, silica, feldspar, and other raw materials.⁸ The petitioner notes that ceramic tile is often flat, with beveled edges that come in any and all shapes, sizes, and colors.⁹ The petitioner also notes that all ceramic tile is durable and hard wearing, which makes ceramic tile suitable for covering surfaces in a variety of applications, including for interior and exterior floors, walls, partitions, entry ways, footpaths, swimming pools, fireplace hearth surfaces, countertops, showers, bathrooms, and kitchens, among other uses.¹⁰

³ The petitioner is the Coalition for Fair Trade in Ceramic Tile (the Coalition). The members of the Coalition are American Wonder Porcelain, Crossville, Inc., Dal-Tile Corporation, Del Conca USA, Inc., Florida Tile, Inc., Florim USA, Landmark Ceramics, and StonePeak Ceramics.

⁴ See Volume I of the Petitions, at 12-15 and Exhibit I-2-A; see also General Issues Supplement, at 7; see also Second General Issues Supplement, at 3-6 and Supplemental Exhibits I-31 and I-32.

⁵ *Id.*; see also *Fujitsu Ltd. v. United States*, 36 F. Supp. 2d 394, 397-98 (CIT 1999); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (CIT 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991); see also *Antidumping and Countervailing Duty Handbook*, Fourteenth Edition, United States International Trade Commission, Publication 4540 (June 2015), at II-34.

⁶ See Attachment I – Scope of the Investigation, to this Checklist; see also Volume I of the Petitions, at 13.

⁷ See Volume I of the Petitions, at 14.

⁸ *Id.*

⁹ *Id.* at 9.

¹⁰ *Id.* at 9-10 and 14.

2) *Interchangeability*

The petitioner argues that all ceramic tile generally must meet customer specifications, noting that ceramic tile is typically comparable in quality and are used interchangeably in the applications where ceramic tile is consumed.¹¹

3) *Channels of Distribution*

The petitioner submits that all ceramic tile is sold to the same customers, end-users and distributors, through the same channels of distribution.¹² The petitioner notes that ceramic tile is sold to a variety of end users, including the single-family home and remodeling market, bath and kitchen stores and design centers, and the commercial construction industry.¹³ The petitioner further notes that ceramic tile is sold to commercial contractors and directly to commercial end-users through several channels of distribution, including home centers (*e.g.*, Home Depot, Lowes), regional distributors and floor covering wholesalers, and other types of retailers such as manufacturer stores, importer stores, and kitchen, bath, and flooring stores.¹⁴

4) *Customer and Producer Perceptions*

The petitioner contends that producers and customers perceive all ceramic tile to be the same product because ceramic tile is typically a commodity product and sold without reference to brand.¹⁵ The petitioner notes that while some more informed customers may have a preference for Italian tile, which is commonly perceived as the industry premium standard, most customers rarely know the country of origin of the box of ceramic tile that is installed by installers.¹⁶ The petitioner also notes that minor variations among various producers of ceramic tile have not influenced customer preference.¹⁷

5) *Common Manufacturing Facilities, Processes, and Employees*

The petitioner argues that all ceramic tile is generally produced using the same production process, production equipment, and production employees.¹⁸ According to the petitioner, the basic production steps for all ceramic tile include: (i) clay and minerals as raw materials, (ii) mixing and milling, (iii) spray drying, (iv) shaping the material into tile form, (v) drying, (vi) glazing for glazed products or digital printing, (vii) firing, and (viii) post-firing operations.¹⁹

¹¹ *Id.* at 14.

¹² *Id.*

¹³ *Id.* at 12.

¹⁴ *Id.*

¹⁵ *Id.* at 14.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* at 14-15.

¹⁹ *Id.* at 10.

The petitioner notes that while minor variations in the production process may occur, these variations do not change the fundamental properties or uses of the product.²⁰

6) *Price*

The petitioner contends that many types of ceramic tile are commodity products and sold without reference to brand once a design is selected.²¹ The petitioner further submits that ceramic tile competes primarily on the basis of price for comparable designs.²² Finally, the petitioner notes that while prices of ceramic tile can vary depending on size, thickness, design, and other factors, these variations do not change the properties or uses of the product or constitute evidence of different domestic like products.²³

Other Ceramic Tile Products (Ceramic Refractory Bricks/Tile, Ceramic Tile Parts of Stoves or Fireplaces, Ceramic Baking Stones, and Ceramic Roofing Tile)

The petitioner contends that ceramic tile constitutes a single domestic like product that does not encompass other types of ceramic tile products, such as ceramic refractory bricks/tile, ceramic tile parts of stoves or fireplaces, ceramic baking stones, and ceramic roofing tile.²⁴

Ceramic Refractory Bricks/Tile

The petitioner argues that ceramic refractory bricks/tile are distinct from ceramic tile primarily due to different physical characteristics and end-uses.²⁵ The petitioner notes that, as provided in the Explanatory Notes for the Harmonized Tariff Schedule (HTS) issues by the World Customs Organization, refractory goods are “fired articles having the special property of resisting high temperatures as met in metallurgy, the glass industry, etc. (*e.g.*, of the order of 1,500°C and higher) ... to fall in heading 69.02 or 69.03 as refractory goods, articles must not only be capable of resisting high temperatures, they must also be designed for high temperature work.”²⁶ The petitioner further notes that, as provided in the Explanatory Notes, refractory ceramic goods are typically used to “line blast furnaces, coke ovens, petroleum crackling plants, glass, ceramic and other industrial furnaces, and in the manufacture of pots, crucibles and other plant for the chemical, glass, cement and aluminum and other metallurgical industries.”²⁷ The petitioner contends that ceramic tile is distinct from ceramic refractory bricks and tile because ceramic tile is neither capable of nor designed for the temperatures withstood by refractory products.²⁸ Thus, the petitioner submits that ceramic tile is not interchangeable with ceramic refractory bricks and tile and that customers and producers see a clear dividing line between the products.²⁹

²⁰ *Id.* at 15.

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ See Second General Issues Supplement, at 3-6 and Supplemental Exhibits I-31 and I-32.

²⁵ *Id.* at 4 and Supplemental Exhibit I-31.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* at 4.

²⁹ *Id.*

Ceramic Tile Parts of Stoves or Fireplaces

The petitioner contends that ceramic tile parts of stoves or fireplaces are distinct from ceramic tile primarily because they have different physical characteristics and end-uses (*i.e.*, ceramic tile is not appropriate for such high temperature applications).³⁰ The petitioner notes that, as explained by one of the Coalition member's website, there are three parts to a fireplace: (1) the firebox (*i.e.*, where the actual fire will be); (2) the surround (*i.e.*, the front facing portion of the fireplace), and (3) the hearth (*i.e.*, the section of the fireplace below and in front of the firebox).³¹ The petitioner further notes that while ceramic tile is commonly used for the surround and hearth, ceramic tile cannot be used for the firebox or for ceramic tile parts of stoves because ceramic tile is not appropriate for such high heat applications.³² Thus, the petitioner submits that ceramic tile is not interchangeable with ceramic tile parts of stoves or fireplaces and that customers and producers see a clear dividing line between the products.³³

Ceramic Baking Stones

The petitioner argues that ceramic baking stones are distinct from ceramic tile primarily because they have different physical characteristics and end-uses, such as the need to withstand higher temperatures.³⁴ The petitioner contends that ceramic baking stones are not interchangeable with ceramic tile and that customers and producers perceive them to be different (*i.e.*, a customer would not go to the floor and wall tile section of a store to purchase a baking stone).³⁵

Ceramic Roofing Tile

The petitioner submits that ceramic roofing tile is distinct from ceramic tile because ceramic roofing tile and ceramic tile have key differences in physical characteristics and end-uses.³⁶ The petitioner notes that in the Explanatory Notes for HTS heading 69.05 by the World Customs Organization, ceramic roofing tiles "are usually provided with nibs, holed for nailing, or may be moulded to interlock," and in this respect differ from ceramic tile.³⁷ The petitioner further notes that ceramic tile "differ{s} from roofing tiles in that . . . they {(ceramic tiles)} are designed to be placed side by side without overlapping."³⁸ Thus, the petitioner contends that ceramic tile and ceramic roofing tile are not interchangeable and that producers and customers do not perceive these products to be the same.³⁹

³⁰ *Id.* at 5.

³¹ *Id.* at 5 and Supplemental Exhibit I-32.

³² *Id.*

³³ *Id.* at 5.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.* at 6.

³⁷ *Id.* at 6 and Supplemental Exhibit I-31

³⁸ *Id.*

³⁹ *Id.* at 6.

Commerce's Position:

We have analyzed the criteria presented by the petitioner with respect to the ITC's domestic like product factors. We agree with the petitioner that ceramic tile, as defined in the scope of the Petitions, constitutes a single like product. Information in the Petitions indicates that all ceramic tile shares similar physical characteristics and uses.⁴⁰ Information in the Petitions also indicates that all ceramic tile is manufactured in the same production facilities with the same production employees using common production processes and is perceived to be the same product by customers and producers.⁴¹ Information in the Petitions further indicates that all ceramic tile is sold through similar channels of distribution.⁴² Finally, information in the Petitions indicates that ceramic tile is a commodity product and that there are clear dividing lines between ceramic tile and other products (*e.g.*, ceramic refractory bricks/tile, ceramic tile parts of stoves or fireplaces, ceramic baking stones, and ceramic roofing tile), as such products have different physical characteristics and end uses, as well as customer and producer perceptions.⁴³

Furthermore, unless Commerce finds the petitioner's definition of the domestic like product to be inaccurate, we will adopt the domestic like product definition set forth in the Petitions.⁴⁴ While the statute defines the "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation," pursuant to section 771(10) of the Act, the petitioner has presented Commerce with information pertaining to the factors the ITC traditionally analyzes. We have analyzed the criteria presented by the petitioner and have found there is reason to conclude that ceramic tile comprises a single domestic like product. This is consistent with Commerce's broad discretion to define and clarify the scope of an antidumping or countervailing duty investigation in a manner that reflects the intent of the Petitions.⁴⁵ Consequently, Commerce's discretion permits interpreting the Petitions in such a way as to best effectuate not only the intent of the Petitions, but the overall purpose of the antidumping and countervailing duty laws as well.⁴⁶

Industry Support Calculation

In determining whether the petitioner has sufficient industry support (*i.e.*, those domestic workers and producers supporting the Petitions account for (1) at least 25 percent of the total production of the domestic like product and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or

⁴⁰ *Id.* at 9-10 and 14.

⁴¹ *Id.* at 14-15.

⁴² *Id.* at 12 and 14.

⁴³ *Id.* at 15; *see also* Second General Issues Supplement, at 3-6 and Supplemental Exhibits I-31 and I-32.

⁴⁴ *See* Volume I of the Petitions, at 12-15 and Exhibit I-2-A; *see also* General Issues Supplement, at 7; *see also* Second General Issues Supplement, at 3-6 and Supplemental Exhibits I-31 and I-32.

⁴⁵ *See, e.g., Fujitsu Ltd. v. United States*, 36 F. Supp. 2d 394 (CIT 1999) (citing *Kern-Liebers USA, Inc. v. United States*, 19 C.I.T. 393, 396, 881 F. Supp. 618, 621 (1995) (citation omitted)) and *Initiation of Antidumping Duty Investigations: Spring Table Grapes from Chile and Mexico*, 66 FR 26831 (May 15, 2001).

⁴⁶ *See Notice of Final Determination of Sales at Less Than Fair Value: Freshwater Crawfish Tail Meat from the People's Republic of China*, 62 FR 41347, 42357 (August 1, 1997).

opposition to, the Petitions), in accordance with section 732(c)(4)(A) of the Act, we conducted the following analysis.

We considered the industry support data contained in the Petitions with reference to the domestic like product as defined in Attachment I, “Scope of the Investigation,” to this Checklist, and as discussed above. The petitioner established the universe of producers based on its knowledge of the U.S. ceramic tile industry, as well as the Tile Council of North America’s (TCNA’s) current member list of ceramic tile producers.⁴⁷ For support, the petitioner provided a declaration from Eric Astrachan, the Executive Director of TCNA and the Coalition, who has been involved in the ceramic tile industry for more than 25 years.⁴⁸ In the declaration, Mr. Astrachan states that TCNA’s membership represents more than 99 percent of domestic ceramic tile manufacturers and also includes associate and affiliate members who are manufacturers of tile installation materials, tile equipment, raw materials, and other tile related products.⁴⁹ Mr. Astrachan further states that TCNA routinely collects sales and shipment data, as well as export and import data, from its members and produces monthly, quarterly, and annual market reports on the trade of U.S. ceramic tile.⁵⁰ Based on TCNA’s membership data and industry knowledge, Mr. Astrachan provides a comprehensive list of all known U.S. ceramic tile producers, which includes the eight members of the Coalition.⁵¹

The petitioner notes that there are no publicly available sources regarding U.S. production of ceramic tile in 2018.⁵² In addition, the petitioner notes that TCNA is the only trade association for U.S. ceramic tile manufacturers and that TCNA does not collect production data from its members.⁵³ The petitioner argues that shipment data collected by TCNA from its members are the closest available proxy for production by the U.S. ceramic tile industry.⁵⁴ For support, the petitioner provided data on its own production and shipments for 2018, which demonstrated that shipments were approximately [] percent of production during this period.⁵⁵ Because production data for total U.S. production by the U.S. ceramic tile industry are not available for 2018, as noted above, and the petitioner has demonstrated that shipments are a reasonable proxy for production, the petitioner estimated total U.S. production of ceramic tile based on shipment data.⁵⁶ We note that Commerce has accepted shipments as a proxy for production for purposes of calculating industry support in past cases.⁵⁷

⁴⁷ See Volume I of the Petitions, at 2-5 and Exhibits I-1-A, I-1-B, and I-1-D.

⁴⁸ *Id.* at Exhibit I-1-D.

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*, at Exhibits I-1-B and I-1-D.

⁵² *Id.* at 4-5.

⁵³ *Id.* at 4 and Exhibit I-1-D.

⁵⁴ *Id.* at 5.

⁵⁵ See Volume I of the Petitions, at 4-5 and Exhibit I-1-F.

⁵⁶ *Id.* at 3-4 and Exhibits I-1-C through I-1-F; see also General Issues Supplement, at 8-11 and Supplemental Exhibits I-1-E, I-27, and I-28; see also Second General Issues Supplement, at 6 and Supplemental Exhibit I-1-E

⁵⁷ See, e.g., *Certain Fabricated Structural Steel From Canada, Mexico, and the People's Republic of China: Initiation of Less-Than-Fair-Value Investigations*, 84 FR 7330, 7332 (March 4, 2019).

To establish industry support, the petitioner provided its own shipment data for the domestic like product in calendar year 2018.⁵⁸ To estimate total shipments of the domestic like product for the entire U.S. industry, the petitioner relied on 2018 U.S. shipment data from TCNA's 2018 Market Report on the U.S. ceramic tile industry.⁵⁹ The petitioner adjusted the TCNA data to account for producers whose shipments are not reported to TCNA.⁶⁰ For support, the petitioner referenced the declaration from Mr. Astrachan, in which he states that TCNA's ceramic tile producing members account for approximately 99 percent of total U.S. production of ceramic tile.⁶¹ Next, the petitioner made an upward adjustment to account for estimated export shipments for the U.S. ceramic tile industry, using the ratio of export shipments to U.S. shipments as reported in the TCNA data.⁶² Based on information provided in the Petitions, the petitioner accounts for [] percent of total shipments of the domestic like product in 2018.⁶³

Table 1
Calculation of Industry Support

U.S. Producers of Ceramic Tile	2018 Shipments of Ceramic Tile (in thousands of square feet)
Total 2018 Shipments by the Petitioner ⁶⁴	[]
Total Estimated 2018 Shipments by the U.S. Ceramic Tile Industry	[]
Total Industry Support	[]%

Challenge to Industry Support

None.

Findings

We relied on information provided by the petitioner, as described above, to establish total 2018 shipments of the domestic like product. Using these data, as demonstrated above, we find that the domestic producers and workers who support the Petitions account for at least 25 percent of total shipments of the domestic like product. We further find that domestic producers and

⁵⁸ *Id.* at 3-5 and Exhibits I-1-C and I-1-F; *see also* General Issues Supplement, at 8-11 and Supplemental Exhibit I-1-E; *see also* Second General Issues Supplement, at 6 and Supplemental Exhibit I-1-E.

⁵⁹ *See* General Issues Supplement, at 8 and Supplemental Exhibit I-27.

⁶⁰ *See* General Issues Supplement, at 9-10 and Supplemental Exhibit I-1-E.

⁶¹ *Id.*; *see also* Volume I of the Petitions, at Exhibit I-1-D.

⁶² *See* General Issues Supplement, at 10-11 and Supplemental Exhibits I-1-E and I-27; *see also* Second General Issues Supplement, at 6 and Supplemental Exhibit I-1-E.

⁶³ *Id.* at 2-5 and Exhibits I-1-A through I-1-F; *see also* General Issues Supplement, at 8-11 and Supplemental Exhibits I-1-E, I-27, and I-28; *see also* Second General Issues Supplement, at 6 and Supplemental Exhibit I-1-E; *see also* Table 1, Calculation of Industry Support.

⁶⁴ *See* Volume I of the Petitions, at Exhibit I-1-F; *see also* Second General Issues Supplement, at Supplemental Exhibit I-1-E.

workers who support the Petitions account for more than 50 percent of the total shipments of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petitions. Therefore, we find that there is adequate industry support within the meaning of sections 702(c)(4)(A) and 732(c)(4)(A) of the Act.

We conducted a search of the Internet and have been unable to locate information that contradicts the petitioner's assertions. We find that the petitioner has provided data that are reasonably available. For these reasons, we find that there is adequate industry support for initiating these investigations. Accordingly, we find that the Petitions have met the requirements of sections 702(c)(4)(A) and 732(c)(4)(A) of the Act.

Attachment III

Analysis of Allegations and Evidence of Material Injury and Causation for the Antidumping and Countervailing Duty Petitions Covering Ceramic Tile from the People's Republic of China

I. Introduction

When making a determination regarding the initiation of antidumping and countervailing duty investigations, the Department of Commerce (Commerce) examines, on the basis of sources readily available to Commerce, the accuracy and adequacy of the evidence contained in the petitions, and determines whether the petitions allege the elements necessary for the imposition of antidumping and countervailing duties and contain information reasonably available to the petitioner that supports the allegations.¹ This attachment analyzes the sufficiency of the allegations and supporting evidence regarding material injury and causation.

II. Definition of Domestic Industry

The domestic industry is described with reference to producers of the domestic like product, as provided for in section 771(4)(A) of the Act. The Petitions² define the domestic industry as U.S. producers of ceramic tile.³ The petitioner⁴ identifies the producers of the domestic like product as the companies constituting the domestic industry in the United States.⁵ For a discussion of the domestic like product, *see* Attachment II, Analysis of Industry Support for the Antidumping and Countervailing Duty Petitions Covering Ceramic Tile from the People's Republic of China, to this checklist.

III. Evidence of Injury and Threat of Injury

To determine injury, the statute requires an evaluation of the volume, price effects, and impact of imports on the domestic industry and permits consideration of other economic factors.⁶ Specifically, in examining the impact of imports, section 771(7)(C)(iii) of the Act states that:

In examining the impact {of imports on domestic producers} ..., the {International Trade} Commission {ITC} shall evaluate all relevant economic

¹ See sections 702(c)(1)(A)(i) and 732(c)(1)(A)(i) of the Tariff Act of 1930, as amended (the Act).

² See Petition for Antidumping and Countervailing Duties: Ceramic Tile from the People's Republic of China, dated April 10, 2019 (the Petitions). The petitioner filed "Antidumping and Countervailing Duty Investigation of Ceramic Tile from the People's Republic of China: FCTC's Response to the Department's Supplemental Questions on the Petition," dated April 17, 2019 (General Issues Supplement), in response to Commerce's request for additional information regarding the Petitions.

³ See Volume I of the Petitions, at 15.

⁴ The petitioner is the Coalition for Fair Trade in Ceramic Tile (the petitioner). The following companies comprise the Coalition for Fair Trade in Ceramic Tile: American Wonder Porcelain, Crossville, Inc., Dal-Tile Corporation, Del Conca USA, Inc., Florida Tile, Inc., Florim USA, Landmark Ceramics, and StonePeak Ceramics. See Volume I of the Petitions, at 2-3 and Exhibit I-1-A.

⁵ See Volume I of the Petitions, at 2-3 and Exhibit I-1-B.

⁶ See sections 771(7)(B)(i) and (ii) of the Act.

factors which have a bearing on the state of the industry in the United States, including, but not limited to—

- (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,
- (II) factors affecting domestic prices,
- (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment,
- (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry..., and
- (V) in {an antidumping proceeding} ..., the magnitude of the margin of dumping.

The Petitions allege that the domestic industry has experienced the following types of injury by reason of imports from the People’s Republic of China (China):

- Significant and increasing volume of subject imports (*See* Volume I of the Petitions, at 17-18, 22-24 and Exhibits I-6, I-8, I-9);
- Reduced market share (*See* Volume I of the Petitions, at 18, 22-25, 30 and Exhibits I-8 and I-22);
- Adverse impact on the domestic industry’s production, capacity utilization, shipments, employment, and financial performance, particularly during a peak in cyclical demand (*See* Volume I of the Petitions, at 18-21, 25-28, 34-37 and Exhibits I-10 through I-12, I-22, I-24, and I-26; *See also* General Issues Supplement, at 11 and Supplemental Exhibit I-29);
- Underselling and price depression or suppression (*See* Volume I of the Petitions, at 28-32 and Exhibits I-6 and I-13);
- Lost sales and revenues (*See* Volume I of the Petitions, at 31-32 and Exhibit I-13);
- Cancellation or postponement of expansion projects for U.S. facilities, negative impact on return on investments, and reduced spending on research and development due to market conditions caused by subject imports (*See* Volume I of the Petitions, at 36); and
- Increase in end-of-year production inventories (*See* Volume I of the Petitions, at 37-38 and Exhibit I-10).

The Petitions also allege that the domestic industry could be threatened with further injury by reason of imports from China:

- Likely impact of subject imports is significant and the domestic industry is susceptible to further injury by subject imports (*See* Volume I of the Petitions, at 47-50 and Exhibit I-22);

- Export-oriented subject producers have a history of dumping ceramic tile in other markets outside of the United States (*See* Volume I of the Petitions, at 40-42 and Exhibit I-2, I-5 and I-15);
- Countervailable subsidies provided by the Government of China (*See* Volume I of the Petitions, at 42);
- Significant increase in the volume and market penetration of subject imports (*See* Volume I of the Petitions, at 43-44 and Exhibits I-8);
- Continued underselling and price depression or suppression (*See* Volume I of the Petitions, at 47); and
- Subject producers have excess production capacity and an incentive to export amid a potential economic slowdown (*See* Volume I of the Petitions, at 44-47 and Exhibits I-5, and I-15 through I-21).

IV. Negligibility

Section 771(24)(A)(i) of the Act states that “imports from a country of merchandise corresponding to a domestic like product identified by the Commission are ‘negligible’ if such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which the data are available” The petitioner argues that imports from China are not negligible.⁷ For support, the petitioner provided import data for the period of February 2018 through January 2019, which demonstrate that imports from China account for 30.94 percent of total imports by volume over this period.⁸ The data provided by the petitioner demonstrate that imports of ceramic tile from China exceed the three percent negligibility threshold provided under section 771(24)(A)(i) of the Act.⁹

V. Causation of Material Injury and Threat of Material Injury

The petitioner contends that the material injury and the threat of material injury to the domestic industry discussed in Section III above were caused by the impact of the allegedly dumped and subsidized imports from China. In support of its argument, the petitioner provided information on the historical trends of the volume and value of the allegedly dumped and subsidized imports, beginning with January 2016 and ending with December 2018.¹⁰ In the Petitions, the petitioner demonstrates the effect of these import values on domestic prices and market share, and the consequent impact on the domestic industry, specifically on financial performance, sales, and revenue.¹¹ The petitioner argues that this evidence reflects the injurious effects on the U.S. industry’s performance, domestic selling prices, and market share caused by imports of ceramic tile at prices substantially lower than prices offered by the domestic industry, thereby resulting in significant incidents of lost sales and revenues, and an adverse impact on financial and operating performance.¹²

⁷ *See* Volume I of the Petitions, at 22 and Exhibit I-9.

⁸ *Id.* at Exhibit I-9.

⁹ *Id.*

¹⁰ *See* Volume I of the Petitions, at 17-18, 22-26, and Exhibit I-6, I-8, I-9, and I-24.

¹¹ *See* Volume I of the Petitions, at 18, 23-32, 34-38, 44, and Exhibits I-6, I-8, I-10, I-11, I-13, and I-22; *see also* General Issues Supplement, at 11 and Supplemental Exhibit I-29.

¹² *Id.*

In making a determination regarding causation of material injury, the ITC is directed to evaluate the volume of subject imports (section 771(7)(B)(i)(I) of the Act), the effect of those imports on the prices of domestically produced products (section 771(7)(B)(i)(II) of the Act), and its impact on the domestic operations of U.S. producers (section 771(7)(B)(i)(III) of the Act). The petitioner bases its allegations of causation of current injury upon significant and increasing volume of subject imports; the domestic industry's reduced market share; adverse impact on the domestic industry's production, capacity utilization, shipments, employment, and financial performance; underselling and price depression or suppression; lost sales and revenues; cancellation or postponement of expansion projects for U.S. facilities, negative impact on return on investment, and reduced spending on research and development due to market conditions caused by subject imports; and an increase in end-of-year production inventories.¹³

With regard to the threat of material injury, the petitioner bases its allegations upon the significant increase in volume and market penetration of subject imports; the history of export-oriented subject producers dumping ceramic tile in other markets; countervailable subsidies provided by the Government of China; continued underselling and price depression or suppression; and subject producers' excess production capacity and incentive to export amid a potential economic slowdown.¹⁴

The allegations of causation of material injury and the threat of material injury are based upon the factors indicating current injury, as well as the factors indicating threat of material injury as noted above. The factors related to causation presented in the injury section of the Petitions are the types of factors that the ITC is directed to consider for the purpose of evaluating causation under sections 771(7)(C) and 771(7)(F) of the Act. The evidence included in the Petitions is therefore adequate to demonstrate a sufficient showing of causation.

VI. Conclusion

In order to assess the accuracy and adequacy of the evidence relating to the allegations regarding material injury, threat of material injury, negligibility, and causation, we examined the information presented in the Petitions, and supplement to the Petitions, and compared it with information that was reasonably available (*e.g.*, import data on the ITC website). We did not locate any information that contradicts the petitioner's assertions.

We analyzed the petitioner's evidence regarding material injury, threat of material injury, negligibility, and causation, and have found that the information in the Petitions and the General Issues Supplement demonstrates a sufficient showing of injury or threat of injury to the U.S. industry producing ceramic tile. Therefore, we find the overall evidence of injury included in the Petitions to be adequate to initiate the investigations of ceramic tile from China. Ultimately, the ITC will make the final determination with respect to material injury, or threat thereof, negligibility, and causation.

¹³ See Section III above.

¹⁴ *Id.*

Attachment IV

Notice of Institution from the ITC

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-621 and 731-TA-1447 (Preliminary)

Ceramic Tile from China

Institution of antidumping and countervailing duty investigations and scheduling of preliminary phase investigations.

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping and countervailing duty investigation Nos. 701-TA-621 and 731-TA-1447 (Preliminary) pursuant to the Tariff Act of 1930 (“the Act”) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of ceramic tile from China, provided for in subheadings 6907.21.10, 6907.21.20, 6907.21.30, 6907.21.40, 6907.21.90, 6907.22.10, 6907.22.20, 6907.22.30, 6907.22.40, 6907.22.90, 6907.23.10, 6907.23.20, 6907.23.30, 6907.23.40, 6907.23.90, 6907.30.10, 6907.30.20, 6907.30.30, 6907.30.40, 6907.30.90, 6907.40.10, 6907.40.20, 6907.40.30, 6907.40.40, and 6907.40.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value and alleged to be subsidized by the Government of China. Unless the Department of Commerce (“Commerce”) extends the time for initiation, the Commission must reach a preliminary determination in antidumping and countervailing duty investigations in 45 days, or in this case by May 28, 2019. The Commission’s views must be transmitted to Commerce within five business days thereafter, or by June 4, 2019.

DATE: April 10, 2019.

FOR FURTHER INFORMATION CONTACT: Nathanael N. Comly ((202) 205-3174), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission’s TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<https://www.usitc.gov>). The public record for these investigations may be viewed on the Commission’s electronic docket (EDIS) at <https://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.--These investigations are being instituted, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)), in response to a petition filed on April 10, 2019, by the Coalition for Fair Trade in Ceramic Tile.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A and B (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

Participation in the investigations and public service list.--Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the *Federal Register*. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping duty and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.--Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.--The Commission's Director of Investigations has scheduled a conference in connection with these investigations for 9:30 a.m. on Wednesday, May 1, 2019, at the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC. Requests to appear at the conference should be emailed to preliminaryconferences@usitc.gov (DO NOT FILE ON EDIS) on or before April 29, 2019. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.--As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before May 6, 2019, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's Handbook on E-Filing,

available on the Commission's website at <https://edis.usitc.gov>, elaborates upon the Commission's rules with respect to electronic filing.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Certification.--Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these investigations must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will acknowledge that any information that it submits to the Commission during these investigations may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of these or related investigations or reviews, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes. All contract personnel will sign appropriate nondisclosure agreements.

AUTHORITY: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Lisa R. Barton
Secretary to the Commission

Issued: