DEPARTMENT OF COMMERCE

International Trade Administration

(C-570-926)

Sodium Nitrite from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination

AGENCY: Import Administration, International Trade Administration, Department of Commerce. **SUMMARY:** The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of sodium nitrite from the People's Republic of China (PRC). For information on the countervailable subsidy rates, see the "Suspension of Liquidation" section of this notice. See the "Disclosure and Public Comment" section below for procedures on filing comments regarding this preliminary determination.

EFFECTIVE DATE: April 11, 2008.

FOR FURTHER INFORMATION CONTACT: Sean Carey or Gene Calvert, AD/CVD Operations, Office 6, Import Administration, International Trade Administration, Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–3964 and (202) 482–3586, respectively.

SUPPLEMENTARY INFORMATION:

Case History

On November 28, 2007, the Department initiated a countervailing duty (CVD) investigation of sodium nitrite from the PRC. See Sodium Nitrite from the People's Republic of China: Initiation of Countervailing Duty Investigation, 72 FR 68568 (December 5, 2007) (*Initiation Notice*). On December 26, 2007, the Department selected, as mandatory company respondents, the two largest publicly identifiable Chinese producers/exporters of sodium nitrite to the United States: Shanxi Jiaocheng Hongxing Chemical Co., Ltd. (Shanxi Jiaocheng) and Tianjin Soda Plant, together with its subsidiary company, Tianjin Port Free Trade Zone Pan Bohai International Trading Co., Ltd. (Tianjin Soda Plant). See Memorandum to Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, "Respondent Selection," dated December 26, 2007. A public version of this memorandum is on file in Import Administration's Central Records Unit (CRU), Room 1117 of the main Department of Commerce building. On that same day, the Department issued a

CVD investigation questionnaire to the Government of the People's Republic of China (GOC). The letter accompanying this questionnaire informed the GOC that it was responsible for completing and submitting a response to certain sections of this questionnaire and that it was also responsible for forwarding copies of the questionnaire to the two mandatory respondents subject to this CVD investigation. Questionnaire responses were not submitted in this investigation by either the GOC or the two mandatory company respondents.

On December 21, 2007, General Chemical LLC (petitioner) submitted two new subsidy allegations concerning preferential tax and loan policies for the coal chemical industry, which petitioner alleged benefited the production of sodium nitrite. On January 24, 2008, petitioner submitted additional information regarding these new subsidy allegations. On March 24, 2008, the Department determined that the requirements of section 702 of the Tariff Act of 1930, as amended (the Act) were not met, and did not initiate an investigation of these newly alleged subsidies. For a complete discussion on the Department's decision not to initiate an investigation on these newly alleged programs, see Memorandum to Barbara E. Tillman, Director, AD/CVD Operations, Office 6, "Countervailing Duty Investigation of Sodium Nitrite from the People's Republic of China: Analysis of New Subsidy Allegations," datedMarch 24, 2008, available in the CRU.

Scope of the Investigation

The merchandise covered by this investigation is sodium nitrite in any form, at any purity level. In addition, the sodium nitrite covered by this investigation may or may not contain an anti-caking agent. Examples of names commonly used to reference sodium nitrite are nitrous acid, sodium salt, anti-rust, diazotizing salts, erinitrit, and filmerine. The chemical composition of sodium nitrite is NaNO₂ and it is generally classified under subheading 2834.10.1000 of the Harmonized Tariff Schedule of the United States (HTSUS). The American Chemical Society Chemical Abstract Service (CAS) has assigned the name "sodium nitrite" to sodium nitrite. The CAS registry number is 7632–00–0. For purposes of the scope of this investigation, the narrative description is dispositive, not the tariff heading, CAS registry number or CAS name, which are provided for convenience and customs purposes.

Injury Test

Because the PRC is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, the International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury to, a United States industry. On December 26, 2007, the ITC transmitted its preliminary determination to the Department. See Sodium Nitrite from China and Germany: Investigation Nos. 701-TA-453 and 731-TA-1136-1137 (Preliminary), dated December 26, 2007. On January 14, 2008, the ITC published its preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports from the PRC of subject merchandise. See Sodium Nitrite from China and Germany, 73 FR 2278.

Period of Investigation

The period of investigation (POI) for which we are measuring subsidies is calendar year 2006. *See* 19 CFR 351.204(b)(2).

Application of the Countervailing Duty Law to Imports from the PRC

On October 25, 2007, the Department published the final countervailing duty determination on coated free sheet paper from the PRC. See Coated Free Sheet Paper from the People's Republic of China: Final Affirmative Countervailing Duty Determination, 72 FR 60645 (October 25, 2007) and the accompanying Issues and Decision Memorandum (China CFS Final). In that determination, the Department found that "given the substantial differences between the Soviet-style economies and the PRC's economy in recent years, the Department's previous decision not to apply the CVD law to these Soviet-style economies does not act as a bar to proceeding with a CVD investigation involving products from China." See China CFS Final at Comment 6; see also Memorandum to David M. Spooner, "Countervailing Duty Investigation of Coated Free Sheet Paper from the People's Republic of China – Whether the Analytical Elements of the Georgetown Steel Opinion are Applicable to China's Present–Day Economy," dated March 29, 2007.1

Recently, the Department has preliminarily determined that it is appropriate and administratively

desirable to identify a uniform date from which the Department will identify and measure subsidies in the PRC for purposes of CVD law. See Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination; Preliminary Affirmative Determination of Critical Circumstances and; Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination, 72 FR 63875 (November 13, 2007) (CWP Prelim); see also Light-walled Rectangular Pipe and Tube from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination with Final Antidumping Duty Determination, 72 FR 67703 (November 30, 2007); 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 (December 3, 2007); Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, 72 FR 71360 (December 17, 2007) and; Raw Flexible Magnets 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 9998 (February 25, 2008).

For the reasons stated in *CWP Prelim*, we are using the date of December 11, 2001, the date on which the PRC became a member of the WTO, as the date from which the Department will identify and measure subsidies in the PRC for purposes of this preliminary determination.

Application of Facts Otherwise Available

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

Where the Department determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that the Department will so inform the party submitting the response and will, to the extent practicable, provide that party the opportunity to remedy or explain the deficiency. If the party fails to remedy the deficiency within the applicable time limits and subject to section 782(e) of the Act, the Department may disregard all or part of the original and subsequent responses, as appropriate. Section 782(e) of the Act provides that the Department "shall not decline to consider information that is submitted by an interested party and is necessary to the determination but does not meet all applicable requirements established by the administering authority" if the information is timely, can be verified, is not so incomplete that it cannot be used, and if the interested party acted to the best of its ability in providing the information. Where all of these conditions are met, the statute requires the Department to use the information if it can do so without undue difficulties.

In the instant case, the GOC and the two mandatory respondents, Shanxi Jiaocheng and Tianjin Soda Plant, did not respond to the Department's December 26, 2007 CVD investigation questionnaire. As a result, the GOC and the two mandatory company respondents did not provide the requested information that is necessary for the Department to determine whether the mandatory company respondents benefitted from countervailable subsidies, and to calculate a CVD rate, where applicable, for this preliminary determination. Therefore, in reaching this preliminary determination, pursuant to section 776(a)(2)(C) of the Act, the Department has based the CVD rates for Shanxi Jiaocheng and for Tianjin Soda Plant on facts otherwise available.

Application of an Adverse Inference

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information. Section 776(b) of the Act also authorizes the Department to use adverse facts available (AFA) information derived from the petition, the final determination, a previous administrative review, or other information placed on the record.

For purposes of this investigation, the Department has determined that, in

¹We have placed this document on the record of this investigation (*see* Memorandum to the File, "Placing the *Georgetown Steel Memorandum* on the Record of the Investigation of Sodium Nitrite from the People's Republic of China," dated concurrently with this notice.)

selecting from among the facts available, an adverse inference is warranted, pursuant to section 776(b) of the Act. On January 24, 2008, the Department communicated to the GOC that the February 1, 2008 deadline for the GOC and for Shanxi Jiaocheng and Tianjin Soda Plant to file responses to the Department's initial CVD investigation questionnaires was approaching and, that the Department routinely considers requests for additional time for filing questionnaire responses as long as the requests are properly filed. See the January 29, 2008 Memorandum to the File from Dana S. Mermelstein, Program Manager, Office 6, AD/CVD Operations, "Countervailing Duty Investigation of Sodium Nitrite from the People's Republic of China, Communication with the Chinese Embassy," a public document on file in the CRU. No requests for extension were submitted, nor were any questionnaire responses.

Because the GOC and the mandatory company respondents, Shanxi Jiaocheng and Tianjin Soda Plant, did not respond to the Department's CVD investigation questionnaire, the Department preliminarily finds that the GOC, Shanxi Jiaocheng, and Tianjin Soda Plant did not cooperate to the best of their ability in this investigation. Therefore, we preliminarily find that an adverse inference is warranted to ensure that the Shanxi Jiaocheng and Tianjin Soda Plant will not obtain a more favorable result than had each company and the GOC fully complied with the Department's request for information. Accordingly, in those instances in which it determines to apply AFA, the Department, in order to satisfy itself that such information has probative value, will examine, to the extent practicable, the reliability and the relevance of the information used.

Selection of the Adverse Facts Available Rate

In deciding which facts to use as AFA, section 776(b) of the Act and 19 CFR 351.308(c)(1) authorize the Department to rely on information derived from (1) the petition; (2) a final determination in the investigation; (3) any previous review or determination; or (4) any information placed on the record. In selecting the AFA rate, it is the Department's practice to select, where possible, the highest calculated final net subsidy rate for the same type of program at issue. Where such information is not available, it is the Department's practice to apply the highest subsidy rate for any program otherwise listed. See, e.g., China CFS Final at Comment 24.

The Department's practice when selecting an adverse rate from among the possible sources of information is to ensure that the margin is sufficiently adverse "as to effectuate the purpose of the facts available role to induce respondents to provide the Department with complete and accurate information in a timely manner." See Notice of Final Determination of Sales at Less than Fair Value: Static Random Access Memory Semiconductors from Taiwan, 63 FR 8909, 8932 (February 23, 1998). The Department's practice also ensures "that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully." See SAA at 870. In choosing the appropriate balance between providing a respondent with an incentive to respond accurately and imposing a rate that is reasonably related to the respondent's prior experience, selecting the highest prior margin "reflects a common sense inference that the highest prior margin is the most probative evidence of current margins, because, if it were not so, the importer, knowing of the rule, would have produced current information showing the margin to be less." See Rhone Poulenc, Inc. v. United States, 899 F. 2d 1185, 1190 (Fed. Cir. 1990).

As discussed above, the Department preliminarily determines that Shanxi Jiaocheng and Tianjin Soda Plan have each failed to act to the best of its ability in this investigation; thus, for each program examined, the Department has made the adverse inference that each company benefitted from the program, consistent with our practice. See, e.g., Certain Cold–Rolled Carbon Steel Flat Products from Korea; Final Affirmative Countervailing Duty Determination, 67 FR 62102 (October 3, 2002); see also Final Affirmative Countervailing Duty Determination: Prestressed Concrete Steel Wire Strand From India, 68 FR 68356 (December 8, 2003) and China CFS Final at Comment 24.

Information from the petition indicates that during the POI, the standard income tax for corporations in China was 30 percent; there was an additional local income tax rate of three percent. See the November 8, 2007 letter from Crowell and Moring, counsel to petitioner, to the Secretary of Commerce, at Exhibit IV-12. To calculate the program rate for the 16 alleged income tax programs under which companies receive either a reduction or exemption of income tax, we have applied an adverse inference that Shanxi Jiaocheng and Tianjin Soda Plant paid no income taxes during the POI. Therefore, the highest possible countervailable benefit for the 16

national, provincial, and local income tax programs subject to this investigation combine to total 33 percent. Thus, we are applying a countervailable rate of 33 percent on an overall basis for the 16 income tax programs (*i.e.*, the 16 income tax programs combined provided a countervailable benefit of 33 percent). This 33 percent AFA rate does not apply to tax credit or tax refund programs. For the remaining programs subject to this investigation (including income tax credit and income tax refund programs), we are applying, where applicable, the highest countervailable subsidy rate that was calculated in China CFS Final for a similar "type" of program (i.e., subsidy programs regarding income tax, value-added tax (VAT), and government–provided grants and loans). See China CFS Final at Comment 24.² Absent a subsidy rate for a similar type of program, we are applying the highest countervailable subsidy rate for any program otherwise listed in China CFS Final. Id.

For a discussion of the application of the individual AFA rates for programs preliminarily determined to be countervailable, see Memorandum to the File, "Application of Adverse Facts Available Rates for Mandatory Company Respondents," dated concurrently with this notice (Sodium Nitrite Calculation Memo). Attached to this memorandum is a copy of the China CFS Final which contains the public information concerning subsidy programs, including the subsidy rates, upon which we are relying as adverse facts available. The Department has no other information on the record of this proceeding from which to select appropriate AFA rates for any of the subject programs, and because this is an investigation, we have no previous segments of the proceeding from which to draw potential AFA rates. See Sodium Nitrite Calculation Memo at Attachment II.

Corroboration of Secondary Information

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as "{i}nformation derived from the petition that gave rise to the investigation or review, the final

² China CFS Final is currently the sole PRC CVD investigation for which we have a final determination.

determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise." See Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H. Doc. No. 316, 103d Cong., 2d Session at 870 (1994). The SAA provides that to "corroborate" secondary information, the Department will satisfy itself that the secondary information to be used has probative value. See SAA at 870. To corroborate secondary information, the Department will, to the extent practicable, examine the reliability and relevance of the information to be used. The SAA emphasizes, however, that the Department need not prove that the selected facts available are the best alternative information. See SAA at 869.

With regard to the reliability aspect of corroboration, unlike other types of information, such as publicly available

data on the national inflation rate of a given country or national average interest rates, there typically are no independent sources for data on company-specific benefits resulting from countervailable subsidy programs. With respect to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal in considering the relevance of information used to calculate a countervailable subsidy benefit. Where circumstances indicate that the information is not appropriate as adverse facts available, the Department will not use it. See, e.g., Fresh Cut Flowers from Mexico; Final Results of Antidumping Duty Administrative Review, 61 FR 6812 (February 22, 1996). In the instant case, no evidence has been presented or obtained which contradicts the relevance of the information relied upon in a prior China CVD investigation. Therefore, in the instant case, the Department preliminarily finds that the information used has been corroborated to the extent practicable.

Programs Preliminarily Determined to be Countervailable

As discussed above, as adverse facts available, we are making the adverse inference that Shanxi Jiaocheng and Tianjin Soda Plant each received countervailable subsidies under the 32 subsidy programs upon which the Department initiated CVD investigations, listed below. For a description of these 32 programs, *see* the *Initiation Checklist*. For the identification of the source of each program's AFA rate for this countervailing duty investigation, *see Sodium Nitrite Calculation Memo* at Attachment II.

	Subsidy Rate
GOC Loan Program	
1. Loans and Interest Subsidies Related to the Northeast Revitalization Program GOC Grant Programs	4.11%
2. State Key Technology Renovation Project Fund	4.11%
3. Grants to Loss–Making State–Owned Enterprises (SOEs)	4.11%
GOC Provision of Goods or Services for Less than Adequate Remuneration (LTAR)	
4. Provision of Electricity to SOEs for LTAR	4.11%
5. Provision of Land to SOEs for LTAR	4.11%
GOC and Local Income Tax Programs ³	33.00%
6. Income Tax Exemption for Export–Oriented Foreign Invested Enterprises (FIEs)	
7. Preferential Tax Policies for FIEs (Two Free, Three Half Program)	
8. Reduced Income Tax Rates for FIEs Based on Location	
12. Income Tax Reduction or Exemption for Export–Oriented or High–Technology Enterprises Under the West	
·····	
16. Guangdong Province Tax Programs	
GOC Tax Refund Program	
22. Corporate Income Tax Refund Program for Reinvestment of FIE Profits in Export–Oriented Enterprises	4.11%
23. Income Tax Credits on Purchases of Domestically–Produced Equipment by Domestically–Owned Compa-	
nies	4.11%
24. Income Tax Credits on Purchases of Domestically-Produced Equipment by FIEs	4.11%
GOC Indirect Tax Programs and Import Tariff Programs	
25. Value Added Tax (VAT) Rebate for FIE Purchases of Domestically-Produced Equipment	1.51%
26. VAT and Tariff Exemptions for FIEs	1.51%
Provincial Loan Program	
27. Reduced Interest Rate Loans Provided by Liaoning Province	4.11%
Provincial Grant Programs	
28. Provincial Export Interest Subsidies (Guangdong & Zhejiang Provinces)	4.11%
29. Guangdong Province Funds for Outward Expansion of Industries	4.11%
Provincial and Local Provision of Goods or Services for LTAR	
30. Provision of Land for LTAR (Jiangsu & Zhejiang Provinces, and Chongging Municipality)	4.11%
31. Provision of Electricity for LTAR (Jiangsu & Zhejiang Provinces)	4.11%
32. Provision of Water for LTAR (Zhejiang Province)	4.11%

	Subsidy Rate
Total Countervailable Subsidy Rate	93.56%

³As discussed above, as AFA, we are applying an adverse inference that the mandatory respondents paid no income tax during the POI. The standard corporate income tax rate for corporations in China is 30 percent, plus an additional provincial tax of three percent. Thus, when combining the potential subsidy benefits from these 16 income tax programs, the highest possible subsidy benefit cannot exceed 33.00 percent. Therefore, we are applying the 33.00 percent AFA rate on a combined basis (*i.e.*, the 16 income tax programs combine to provide a 33.00 percent. Therefore, we are applying the 33.00 percent AFA rate on a combined basis (*i.e.*, the 16 income tax programs combine to provide a 33.00 percent.

Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have

assigned a subsidy rate to each of the two producers/exporters of the subject merchandise that were selected as mandatory respondent companies in this CVD investigation. We preliminarily determine the total countervailable subsidy to be:

Producer/Exporter	Countervailable Subsidy Rate
Shanxi Jiaocheng Hongxing Chemical Co., Ltd	93.56 percent <i>ad valorem</i>
Tianjin Soda Plant & Tianjin Port Free Trade Zone Pan Bohai International Trading Co., Ltd. (Subsidiary)	93.56 percent <i>ad valorem</i>
All-Others	93.56 percent <i>ad valorem</i>

With respect to the all-others rate, section 705(c)(5)(A)(ii) of the Act provides that if the countervailable subsidy rates established for all exporters and producers individually investigated are determined entirely in accordance with section 776 of the Act, the Department may use any reasonable method to establish an all–others rate for exporters and producers not individually investigated. In this case, the rate calculated for the two investigated companies is based entirely on facts available under section 776 of the Act. There is no other information on the record upon which we could determine an all-others rate. As a result, we have used the AFA rate assigned for Shanxi Jiaocheng and Tianjin Soda Plant as the all-others rate. This method is consistent with the Department's past practice. See Final Affirmative *Countervailing Duty Determination:* Certain Hot–Rolled Carbon Steel Flat Products From Argentina, 66 FR 37007, 37008 (July 16, 2001); see also Final Affirmative Countervailing Duty Determination: Prestressed Steel Wire Strand From India, 68 FR 68356, 68357 (December 8, 2003).

In accordance with sections 703(d)(1)(B) and (2) of the Act, we are directing U.S. Customs and Border Protection to suspend liquidation of all entries of the subject merchandise from the PRC, which are entered or withdrawn from warehouse, for consumption on or after the date of the publication of this notice in the **Federal Register**, and to require a cash deposit or the posting of a bond for such entries of the merchandise in the amounts indicated above. This suspension will remain in effect until further notice.

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non– privileged and non–proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

In accordance with section 705(b)(2) of the Act, if our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Disclosure and Public Comment

In accordance with 19 CFR 351.224(b), the Department will disclose to the parties the calculations for this preliminary determination within five days of its announcement.

No party has submitted a notice of appearance on behalf of the GOC or the mandatory company respondents, and questionnaire responses were not submitted in this investigation by either the GOC or the two mandatory company respondents. Thus, the Department does not intend to conduct verification proceedings in this countervailing duty investigation. For these reasons, the due date for interested parties to submit case briefs will be 30 days from the date of publication of the preliminary determination. See 19 CFR 351.309(c)(i). As part of the case brief, parties are encouraged to provide a summary of the arguments not to exceed five pages, and a table of statutes, regulations, and cases

cited pursuant to 19 CFR 351.309(c)(2). Rebuttal briefs, which must be limited to issues raised in the case briefs, must be filed within five days after the case briefs are filed in accordance with 19 CFR 351.309(d).

In accordance with 19 CFR 351.310(c), we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. Individuals who wish to request a hearing must submit a written request, pursuant to 19 CFR 351.301(c), within 30 days of the publication of this notice in the Federal Register, to the Assistant Secretary for Import Administration, Department of Commerce, Room 1870, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Pursuant to 19 CFR 351.310(c), parties will be notified of the schedule for the hearing and parties should confirm by telephone the time, date, and place of the hearing 48 hours before the schedule time. Requests for a public hearing should contain: (1) party's name, address, and telephone number; (2) the number of participants and; (3) to the extent practicable, an identification of the arguments to be raised at the hearing.

This determination is issued and published pursuant to sections 703(f) and 771(i) of the Act and 19 CFR 351.221(b)(4).

Dated: April 7, 2008.

David M. Spooner,

Assistant Secretary for Import Administration. [FR Doc. E8–7798 Filed 4–10–08; 8:45 am]

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