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October 9, 2012

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Import Administration

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

SUBJECT: Issues and Decision Memorandum for the Final Results in the Administrative Review of Glycine from the People's Republic of China

SUMMARY:

We have analyzed the comments and rebuttal comments of interested parties in the final results of the 2010/2011 administrative review of the antidumping duty order on glycine from the People's Republic of China (PRC). As a result of our analysis, we have not made changes from the revised preliminary results of review. We recommend that you approve the positions described in the "Discussion of the Issues" section of this Issues and Decision Memorandum.

Below is the complete list of the issues in this administrative review for which we received comments by parties:

Comment 1: Valuation of Liquid Chlorine
Comment 2: Valuation of Liquid Ammonia
Comment 3: Valuation of Formaldehyde
Comment 4: Valuation of Steam Coal
Comment 5: Valuations of By-products
Comment 6: Valuation of Surrogate Financial Ratios
Comment 7: Implementation of Verification Findings
Comment 8: Import Data Extracted in Incorrect Currency
Comment 9: Errors in the Calculations of Surrogate Values for Packing Materials

BACKGROUND:

On April 11, 2012, the Department of Commerce published the preliminary results of this administrative review. *See Glycine From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review*, 77 FR 21738 (April 11, 2012) (*Preliminary Results*). We examined the sales of one company, Baoding Mantong Fine Chemistry Co., Ltd. (Baoding Mantong), in this review, which covers the period from March 1, 2010, through February 28, 2011.

In the *Preliminary Results*, we provided interested parties with the opportunity to comment on the results and, pursuant to 19 CFR 351.301(c)(3)(ii) and 351.408(c), to submit publicly available information to value factors of production within 20 days after the date of publication of the results. The domestic interested party, GEO Specialty Chemicals, Inc. (GEO), submitted factor-valuation information on May 1, 2012. *See* GEO's letter regarding "GEO Specialty Chemicals' Additional Publicly Available Information for Valuing Baoding Mantong's Factors of Production," dated May 1, 2012 (GEO's May 1 Submission). GEO and the respondent in this review, Baoding Mantong, both submitted case briefs on May 11, 2012, at which time GEO also requested a hearing. See GEO's letter regarding "GEO Specialty Chemicals' Case Brief," dated May 11, 2012 (GEO's Case Brief); Baoding Mantong's letter regarding "Comments on Preliminary Results," dated May 11, 2012 (Baoding Mantong's Case Brief). Baoding Mantong submitted rebuttal comments on May 16, 2012. *See* Baoding Mantong's letter regarding "Comments in Rebuttal To Petitioner's Case Brief Dated May 11, 2012," dated May 16, 2012 (Baoding Mantong's May 16 Rebuttal). On May 25, 2012, GEO withdrew its request for a hearing.

In its case brief, GEO asserted that the Department had made a clerical error in the extraction of the *Global Trade Atlas (GTA)*[1] data used for surrogate valuations in the preliminary results of review; GEO stated in its brief that the data should have been extracted in Indonesian rupiahs instead of Indian rupees. *See* GEO's Case Brief at 13. Upon further examination of the data, we found that it should have been extracted in U.S. dollars, since this was the currency of the source data. Accordingly, on June 27, 2012, we issued revised preliminary results of review to all interested parties, inviting comments on the revisions. *See* Memorandum to the File from Edythe Artman, International Trade Analyst, regarding "Revisions to Certain Surrogate Valuations and the Preliminary Margin-Calculation Program for Baoding Mantong Fine Chemistry Co., Ltd.," dated June 27, 2012 (Revised Preliminary Results).

At the request of GEO and Baoding Mantong, we clarified in a July 2, 2012, letter to all interested parties that they could submit written argument on the revised preliminary results, as well as additional factor-valuation information. Both GEO and Baoding Mantong submitted comments and factor-valuation information on July 16, 2012. *See* GEO's letter regarding "GEO Specialty Chemicals' Comments on the June 27, 2012, Revised Preliminary Results and Additional Surrogate Value Information," dated July 16, 2012 (GEO's July 16 Comments); and Baoding Mantong's letter regarding "Submission of Surrogate Value Information and

[1] *GTA* is published by the Global Trade Information Services.

Comment," dated July 16, 2012 (Baoding Mantong's July 16 Comments). The parties submitted rebuttal comments on July 23, 2012. *See* GEO's letter regarding "GEO Specialty Chemicals' Rebuttal to Baoding Mantong's July 16, 2012, Arguments and Surrogate Value Information," dated July 23, 2012 (GEO's July 23 Rebuttal Comments); and Baoding Mantong's letter regarding "Submission of Rebuttal Surrogate Value Comments," dated July 23, 2012 (Baoding Mantong's July 23 Rebuttal Comments). On July 31, 2012, we fully extended the deadline of the final results of review from August 9, 2012, to October 9, 2012. *See* Memorandum to Chistian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, from Edythe Artman, International Trade Compliance Analyst, regarding "Glycine from the People's Republic of China: Extension of Deadline for Final Results of Antidumping Duty Administrative Review", dated July 31, 2012.

Glycine Results

2005/2006 Glycine Final Results – Glycine from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 72 FR 58809 (October 17, 2007)

2006/2007 Glycine Final Results – Glycine From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 73 FR 55814 (September 26, 2008)

2007/2008 Glycine Final Results – Glycine From the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 74 FR 41121 (August 14, 2009)

DISCUSSION OF THE ISSUES

Comment 1: Valuation of Liquid Chlorine

In its July 16, 2012, comments, Baoding Mantong argues that, for the revised preliminary results, the Department used a surrogate value for liquid chlorine that is aberrational compared to the values used in the two previous administrative reviews and that this value should not be used in the final results. Baoding Mantong asserts that, due to the costly nature inherent in the transportation of a compressed gas under pressure, the Department did not rely upon import data that reflected small volumes but instead relied upon the average unit value of sales of individual Indian companies in the previous two reviews, citing *2006/2007 Glycine Final* Results, and accompanying Issues and Decision Memorandum at Comment 5 and *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 6.

Baoding Mantong adds that, as in the previous reviews, the import data, upon which the revised surrogate value for liquid chlorine is based in the current review, is too small from which to derive a reliable or representative surrogate value. It comments that its own purchases of liquid chlorine during the period of review are the equivalent of 62 percent of all Indonesian imports eligible for consideration by the Department during the same period.[2] The company

[2] The total of imports eligible for consideration by the Department reflects imports from all countries, including those generally disregarded by the Department (*i.e.*, countries believed or suspected to subsidize their exports and

adds that its purchases also exceed the review-period volumes of eligible liquid chlorine imports of the other five countries considered by the Department to be comparable to the PRC – Colombia, The Philippines, South Africa, Thailand and Ukraine. It opines that, in light of *Shanghai Foreign Trade Enterprises Co. v. United States*, 318 F. Supp. 2d 1339 (Ct. Int'l Trade 2004), the import volumes of each of the six comparable countries are commercially and statistically insignificant and result in aberrational surrogate values.

Baoding Mantong proposes that, in this review, the Department should value liquid chlorine using an average unit value of the sales of two Indian liquid chlorine producers. It explains that the average unit value was derived from information obtained from the companies' annual reports, which covered 11 months of the period of review. It notes that the value is consistent with the surrogate value used in the final results of the 2007/2008 administrative review of glycine and that the value is based on a sales volume more than 40 times larger than the import volume of the *GTA* Indonesian data.

Baoding Mantong comments that, although India was not included on the list of potential surrogate countries for the review, the Department may rely on Indian data where the import volume from each of the six listed countries is too small to be suitable for a surrogate value. Baoding Mantong cites *Chlorinated Isocyanurates From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review*, 77 FR 41746, 41749 (July 16, 2012) (*2010/2011 Isos from the PRC Prelim*), as a recent example of where, because acceptable data sources from the six comparable countries had not been placed on the record for some inputs, the Department used data from India to calculate certain surrogate values.

Baoding Mantong concludes by noting that the Department's revised valuation for liquid chlorine is four-to-five times higher than the surrogate value used in the 2007/2008 administrative review and its proposed average unit value of the Indian companies. It notes that there is nothing on the administrative record to suggest that liquid chlorine prices have increased four-to-five times since the last review and opines that, rather, the revised surrogate value is an aberrational one based on small import volume. Baoding Mantong states that, for the final results, the Department should act consistently with the two previous reviews and not base the surrogate value for liquid chlorine on import data reflecting small import volumes.

GEO responded in its July 23, 2012, rebuttal comments that Baoding Mantong's arguments should be rejected since the benchmarks and alternative valuations that the respondent would apply are neither Indonesian values nor values from another comparable country for this review. It states that the Indian values used in past reviews and the Indian average unit value proposed by Baoding Mantong in the current review are not preferred sources for benchmarks or surrogate values since India was not included in the Department's list of potential surrogate countries for this review. *See* GEO's July 23rd Rebuttal Comments at 6-7, citing Memorandum to Angelica Mendoza, Program Manager, Office 7, from Carole Shower, Director, Office of Policy, regarding "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Glycine from the People's Republic of China," dated August 15,

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non-market-economy countries).

2011. It adds that, under regulation 19 CFR 351.408(c)(2), the Department is directed to normally value all of the factors of production with data from the selected surrogate country. GEO states that Baoding Mantong's attempts to use data from India are therefore contrary to the Department's policy and regulations.

GEO also comments that the Department has previously rejected the argument that low import volumes render surrogate values aberrational. In support of its claim, GEO cites *Certain Frozen Warmwater Shrimp From the Socialist Republic of Vietnam: Final Results of the First Antidumping Duty Administrative Review and First New Shipper Review*, 72 FR 52052 (September 12, 2007), and accompanying Issues and Decision Memorandum at Comment 4, where the Department found that, unless specific evidence existed that certain import data may be aberrational for a particular case, it would use the data because neither the Department nor the parties "can have perfect knowledge of what may or may not constitute an aberrational value…when presented with a range of values within a particular HTS category."

GEO adds that the Court of International Trade upheld the Department's finding that small quantities of imports are not inherently distortive in *Trust Chem Co. v. United States*, 791 F. Supp. 2d 1257 (Ct. Int'l Trade 2011) (*Trust Chem*), where the court noted that "the question is whether the *relative* quantity of imports is distortive" and that a party must introduce evidence in support of any claim that a value is aberrational or distortive. *Trust Chem* at 1264-65 (emphasis in original). GEO notes that the Department also recently explained that "the burden is on interested parties to provide factual evidence showing the value is aberrational." *See* GEO's July 23rd Rebuttal Comments at 7 and 8, citing *Small Diameter Graphite Electrodes From the People's Republic of China: Final Results of the Antidumping Duty Administrative Review*, 77 FR 40854 (July 11, 2012) (*SDGE from the PRC*), and accompanying Issues and Decision Memorandum at Comment 5. GEO comments that Baoding Mantong provided no proof that the surrogate value for liquid chlorine was aberrational; that it focused solely on import volume; and that, therefore, it failed to meet its evidentiary burden.

GEO further contends that, although the Department has found that a value can be unreliable if it varies significantly from acceptable benchmarks, such as the import data for alternative comparable countries, that situation does not apply to the valuation of liquid chlorine. Referring to import data covering all comparable countries that Baoding Mantong placed on the record on July 16, 2012, GEO notes that it shows that the average unit value for Indonesian imports was far lower than those of Thailand and South Africa and that the import volume for Indonesia was the highest of the six countries. It further notes that the data shows the Indonesian average unit value to be the broadest-based, in the sense that it was based on imports from more countries than the average unit values of the other comparable countries.

GEO concludes that the Department should therefore continue to value liquid chlorine using Indonesian import data for the final results, which is consistent with its policy of using contemporaneous values from a single surrogate country representing broad-based pricing.

Department's Position:

The Department's practice when selecting the best available information for valuing factors of production, in accordance with section 773(c)(1) of The Tariff Act of 1930, as amended (the Act), is to select surrogate values which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. *See, e.g., First Administrative Review of Certain Polyester Staple Fiber From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 75 FR 1336 (January 11, 2010), and accompanying Issues and Decision Memorandum at Comment 1. The Department undertakes its analysis of valuing the factors of production on a case-by-case basis, carefully considering available record evidence regarding the particular facts of each industry. *See Glycine from the People's Republic of China: Notice of Final Results of Antidumping Duty Administrative Review*, 70 FR 47176 (August 12, 2005), and accompanying Issues and Decision Memorandum at Comment 1. Although there is no hierarchy for applying the surrogate-value selection criteria, "the Department must weigh available information with respect to each input value and make a product-specific and case-specific decision as to what the 'best' surrogate value is for each input." *See, e.g., Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 55039 (September 24, 2008), and accompanying Issues and Decision Memorandum at Comment 2.

Pursuant to section 773(c)(1) of the Act, we continue to find that the value derived from the *GTA* data for Indonesian imports represents "the best information available" for valuing liquid chlorine. This data represents information that is product-specific, is representative of a broad-market average, is publicly available, is contemporaneous with the period of review, and is free of taxes and duties. With respect to specificity, the Department continues to view imports of "Chlorine", under the Harmonized Tariff Schedule (HTS) subheading 280110, as the most specific available data for this raw-material input from Indonesia. We note that the *GTA* value was the only value for liquid chlorine from an Indonesian source suggested by parties and placed on the record. *See* GEO's July 16th Comments at Attachment 2; and Baoding Mantong's July 16th Comments at Exhibit 4.

Baoding Mantong has argued that the Indonesian value for liquid chlorine is aberrational when compared to Indian values selected as the surrogate values for liquid chlorine in the previous two administrative reviews in which its sales were reviewed. The Department does not find these Indian values to be a proper comparison in deciding whether the Indonesian value is aberrational. Rather, in determining whether a surrogate value derived from *GTA* data is aberrational, it is the Department's practice to compare it with the *GTA* data for the input at issue of the other five countries found by the Department to be economically comparable to the PRC. *See Trust Chem*, 791 F. Supp. 2d at 1264-65. As noted in the *Preliminary Results*, the Department identified Colombia, the Philippines, South Africa, Thailand, and Ukraine as the other countries comparable to the PRC in terms of economic development for purposes of this review. *Id*. The *GTA* data for imports of liquid chlorine of these five countries were included in Baoding Mantong's July 16, 2012, submission. When we compare the calculated total import

volume and average unit value[3] for each of the five countries to those of Indonesia, we find that Indonesia had the highest import volume for the input during the period of review. Because this volume exceeded 2,000 metric tons, we find liquid chlorine was imported into Indonesia in commercial quantities during the period of review. Furthermore, we find that Indonesia's average unit value of 0.56 USD/kilogram fell within a range from 0.25 USD/kilogram to 12.54 USD/kilogram from the six countries and that, thus, the Indonesian value is representative of market averages. We further find that record evidence does not support a finding that the average unit value from any of the other countries, when compared with that of Indonesia, either is more specific to the input or a more reasonable value. Therefore, we can find no basis to consider the Indonesian *GTA* value for liquid chlorine to be unreliable and find no reason to consider information from a non-Indonesian source.

Baoding Mantong also argues that, although the Indonesian value is not aberrational in comparison to the other economically-comparable countries, this comparison is meaningless because the imports from these countries are commercially similar and statistically insignificant, resulting in aberrational surrogate values. Again, Baoding Mantong bases this assertion on a comparison of this import data to the surrogate values in the previous reviews and the average unit value of sales by two Indian companies. We find that it is the burden of Baoding Mantong to provide sufficient factual evidence in support of its argument that this import data is aberrational. Even assuming, *arguendo*, that this import data could be found aberrational, Baoding Mantong did not provide the Department with alternative data from Indonesia or one of the five countries to use as a comparison but simply reverted back to company data from India—a country not on the list of economically-comparable countries to the PRC. As a result, we find that Baoding Mantong failed to provide sufficient factual evidence in support of its claim that the import data from all six countries is aberrational.

Baoding Mantong observed that, due to the costly nature inherent in the transportation of a compressed gas under pressure, the Department did not rely upon import data that reflected small volumes but instead relied upon the average unit value of sales of individual companies in the previous two reviews, citing *2006/2007 Glycine Final Results,* and accompanying Issues and Decision Memorandum at Comment 5 and *2007/2008 Glycine Final Results,* and accompanying Issues and Decision Memorandum at Comment 6. We have reviewed these comments and found that the Department neither addressed the issue of transportation costs of liquid chlorine nor the low volumes of imports of chlorine in these reviews. However, in the surrogate value memorandum for the preliminary results of the 2006/2007 review (included in Exhibit 2 of Baoding Mantong's July 16, 2012, comments), we found the import volume of just over one metric ton of chlorine to be very low and a factor in our decision to select company pricing data in that review. In the current review, the import volume for Indonesia exceeds 2,000 metric tons; thus, it is vastly larger than the volume found to be low in the earlier review.

Baoding Mantong notes that its own purchases of liquid chlorine during the period of review accounted for over 62 percent of the total volume of Indonesian imports from all

[3] Baoding Mantong's calculations of import volumes and values reflect the Department's policy to disregard prices that we have reason to believe or suspect may be subsidized, such as those relating to imports from India, South Korea and Thailand, as well as countries deemed to be non-market economies.

countries during the same period. In doing so, Baoding Mantong is trying to emphasize that the import volume, in relationship to its own purchases, is low. We do not find this argument persuasive to demonstrate that Indonesia's import volumes are not of commercial quantity. As stated above, it is our policy to compare the total import volumes of potential surrogate countries to one another, not to compare import volume to the purchases of individual respondents. Because the import volume for Indonesia exceeded those of five other countries during the period of review, we are satisfied that this volume represents significant commercial quantities during the period of review.

Baoding Mantong suggested that we use data from Indian sources in its November 1, 2011, submission of proposed surrogate values and again in its July 16, 2012, submission of surrogate value information and comments. However, as noted in the *Preliminary Results*, we identified Indonesia as the primary source of surrogate values in this review. In accordance with section 773(c)(4)(A)-(B) of the Act, we selected Indonesia as the primary source of surrogate values in this review based upon (1) Indonesia being at a comparable level of economic development to the PRC and (2) its status as a significant producer of the subject merchandise.[4] *Preliminary Results*, 77 FR at 21740-41. Because we have identified Indonesia as the primary source of surrogate values in this review and because public data from Indonesia is available in this proceeding, we have looked to Indonesia as the source of the surrogate value for raw-material inputs, pursuant to 19 CFR 351.408(c)(2).

Finally, Baoding Mantong suggests that we use data from Indian sources in its November 1, 2011, submission of proposed surrogate values and again in its July 16, 2012, submission of surrogate value information and comments. In support of this, Baoding cites *2010/2011 Isos from the PRC Prelim*, where the Department found that because certain inputs, including chlorine, were not frequently traded on an international basis, *GTA* data was not the best surrogate value source and used data from India to calculate those surrogate values. *See 2010/2011 Isos from the PRC Prelim*, 77 FR at 41749. In reaching this decision, the Department looked to a determination made in the 2009-2010 Administrative Review of *Isos from the PRC (2009/2010 Isos from the PRC)*. *See id.*

In that review, India was the primary surrogate country, and parties had provided Indian *GTA* data, *GTA* data from the other surrogate countries, and data from individual Indian companies for the surrogate valuation of chlorine. *See* Memorandum titled "Preliminary Results of the 2009-2010 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People's Republic of China: Surrogate Value Memorandum," dated June 30, 2011 (2009/2010 Isos Surrogate Value Memo), at 12. The Department's decision to use the Indian company data to value chlorine was partly based on the low import volumes reported in the Indian *GTA* data (as compared to the other surrogate countries, including Indonesia) and partly attributed to the various means and costs associated with transporting chlorine over long distances. *See id.* Because of these deficiencies, and because other viable source information from the primary surrogate country was on the record, the Department opted to disregard the Indian *GTA* data.

[4] *Id.* at 21741.

In the *2010/2011 Isos from the PRC Prelim*, India was no longer on the list of economically-comparable countries, and the Department selected South Africa as the primary surrogate country. For the surrogate valuation of chlorine, parties provided *GTA* data for the surrogate countries and data from one Indian company. Relying heavily on the analysis and previous decision in *2009/2010 Isos from the PRC*, the Department opted to use the surrogate value for chlorine from the previous review with adjustments for inflation.

We find that the concerns with the Indian *GTA* data in *2009/2010 Isos from the PRC* are simply not present in our review. Mainly, the record of this review shows that liquid chlorine is shipped frequently on an international basis and in substantial commercial quantities, thus undermining the notion that high transportation costs are prohibitive of a robust international trade in chlorine. Furthermore, in *2009/2010 Isos from the PRC,* the Department had several options in selecting the best surrogate value for chlorine, including non-import data from its primary surrogate country. Here, we are faced with *GTA* data from our primary surrogate country which we have found to not be aberrational, and non-import data from a non-surrogate country. Because we have established that Indonesian *GTA* data for chlorine is shipped both internationally and in commercial quantities, we do not find it necessary to revert back to Indian data. We also note that the recent *2010/2011 Isos from the PRC Prelim* is not a final determination and is therefore not conclusive, and so we will not rely on it in making our final determination in the instant review.

In light of the foregoing, we have continued to use the surrogate value, derived from the Indonesian *GTA* data for liquid chlorine, in these final results.

Comment 2: Valuation of Liquid Ammonia

In its July 16, 2012, comments, Baoding Mantong argues that the Department classified liquid ammonia as aqueous ammonia incorrectly and that, for the final results, it should classify this input as anhydrous ammonia, using Indonesian import data under the HTS subheading 2814.10. Baoding Mantong notes that, during the period of review, Indonesian imports of anhydrous ammonia were significant and reflected commercial quantities of the input. It adds that, in its section D response to the Department's antidumping questionnaire, it reported using liquid ammonia with a purity level in excess of 99.8 percent and that the Department had previously found that liquid ammonia with a purity level over 98 percent was reflective of anhydrous ammonia in liquid form and not of aqueous ammonia, which had lower purity levels and a chemical composition distinct from anhydrous ammonia. *See* Baoding Mantong's July 16 Comments, citing *2005/2006 Glycine Final Results,* and accompanying Issues and Decision Memorandum at Comment 1; *2006/2007 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 3; and *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 5.

Baoding Mantong contends that, if the Department decides to continue to value liquid ammonia using the import data under HTS subheading 2814.20 for aqueous ammonia, then it should not rely upon the Indonesian import data, as it is aberrational due to the small volume of imports under this subheading. The company argues that the volume of imports for aqueous

ammonia during the period of review constitute less than 12.5 percent of its own volume of purchases of liquid ammonia during the same period. It adds that, even when the volume of Indonesian imports of aqueous ammonia are combined with those of the Thai, Ukrainian, South African and Colombian imports, the total is less than the volume of Baoding Mantong's review-period purchases. Baoding Mantong asserts that, of the six countries the Department found to be comparable to the PRC, only the volume of Filipino imports were commercially and statistically significant and that, if the Department continues to value liquid ammonia under the HTS subheading 2814.20 in the final results, it should base the valuation upon Filipino import data only.

Baoding Mantong contends that, as a second alternative surrogate value, the Department should use an average unit value of ammonia sales as reported in the annual reports of an Indian fertilizer producer, Chambal Fertilizers and Chemicals Limited. It notes that the sales information from the reports is contemporaneous with the period of review and that the average unit value is based on a total ammonia sales volume that is almost 220 times greater than the volume of Indonesian imports of aqueous ammonia during the period of review.

In its July 23, 2012, rebuttal comments, GEO argues that the Department should continue to base its valuation of liquid ammonia on the *GTA* data for aqueous ammonia. It observes that Baoding Mantong has been subject to four administrative reviews in this proceeding and that, in the two reviews in which its responses were verified (*i.e.*, 2003/2004 and 2010/2011 administrative reviews), the Department found that the company used aqueous ammonia. GEO notes that Baoding Mantong also placed surrogate values for aqueous ammonia on the record of the 2003/2004 review and that the company's claims that it uses anhydrous ammonia are contradicted by the Department's findings at the verifications and by its own admissions in the earlier review.

GEO adds that Baoding Mantong's suggested alternatives for valuing aqueous ammonia should be rejected because the respondent has not explained why the Indonesian import value is aberrational. It observes that the argument that lower import volumes render a value inaccurate and unreliable has been explicitly rejected by both the Department and the Court of International Trade, citing GEO's July 23rd Rebuttal Comments at 11-12, citing *Small Diameter Graphite Electrodes From the People's Republic of China: Final Results of the Antidumping Duty Administrative Review*, 77 FR 40854 (July 11, 2012), and accompanying Issues and Decision Memorandum at Comment 5; and *Trust Chem*, 791 F. Supp. 2d at 1264-65. GEO asserts that, without any evidence that the surrogate value itself is aberrational, Baoding Mantong has failed to show that the value should be discarded. GEO argues that, based on a comparison of the *GTA* data for imports of aqueous ammonia placed on the record by Baoding Mantong, there is no evidence that the Indonesia value is aberrational *vis-a-vis* the values of the other surrogate countries.

GEO contends that Baoding Mantong's alternative value based on the sales data from an Indian company should be rejected because the company has failed to show that the value based on Indonesian import data is aberrational and because the Indian value is neither from an

Indonesian source nor specific to aqueous ammonia. It concludes that the best surrogate value for liquid ammonia remains the average unit value for aqueous ammonia under HTS subheading 2814.20 of *GTA* Indonesian import statistics, which is consistent with the Department's policy of using contemporaneous values that are from a single surrogate country and represent broad-based pricing.

Department's Position:

Baoding Mantong argues that we should value liquid ammonia by using the import data for anhydrous ammonia and cites to three previous reviews in which the Department found it appropriate to value liquid ammonia as anhydrous ammonia under HTS subheading 2814.10.

However, in the current review, Baoding Mantong identified the formula for the ammonia it used as NH4OH. *See* Baoding Mantong's section D response, dated August 2, 2011, at Exhibit D-5. We established that this is the formula for aqueous ammonia in the previous reviews. *See 2005/2006 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 1; *2006/2007 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 3; and *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 5. Furthermore, Baoding Mantong identified the HTS subheading as 2814.20 – the subheading for aqueous ammonia – in Exhibit D-5 of its section D response and, in a submission of surrogate value information, it proposed valuing ammonia based on this subheading. *See* Baoding Mantong's Surrogate Country Comments and the Submission of Proposed Surrogate Values, dated November 1, 2011 (Baoding Mantong's November 1st Submission), at Attachment 3. Baoding Mantong did not offer a correction of this information at the start of verification and we made no findings at verification that contradict the reported information. *See* Memorandum to the File from Edythe Artman, International Trade Analyst, regarding "Verification of the Sales and Factors-Of-Production Responses of Baoding Mantong Fine Chemistry Co., Ltd., in the Antidumping Duty Administrative Review of Glycine from the People's Republic of China", dated March 30, 2012 (Verification Report) at 3 and 27-32.

In the previous reviews, we determined that liquid ammonia should be valued as anhydrous ammonia but only after finding that it was supported by the record; specifically, we found the respondent (which, in the case of the 2006/2007 and 2007/2008 reviews, was Baoding Mantong) in each review had identified the molecular formula of the ammonia used in their production of glycine as NH3 – the formula for anhydrous ammonia. *See 2005/2006 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 1; *2006/2007 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 3; and *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 5. Therefore, in keeping with these determinations, we are basing the valuation of liquid ammonia on the record of the ongoing review which, for this segment, supports the finding that Baoding Mantong used aqueous ammonia in the production of its glycine.

The respondent argues that its reported purity level of ammonia indicates that it used

anhydrous ammonia in liquid form. But there is no factual information on the record to support this contention and, even if there was such information, we cannot overlook the precise descriptive information provided by the molecular formula. The record shows that Baoding Mantong used ammonia with the formula NH4OH in its production of glycine for this review and, accordingly, we have based the valuation of the input on the available *GTA* Indonesian data for aqueous ammonia under HTS subheading 2814.20.

Baoding Mantong argues that, in the event the Department continues to value liquid ammonia as aqueous ammonia, it should rely on alternative data sources to the *GTA* data for Indonesia. Baoding Mantong asserts that this data is aberrational because of the low volume of Indonesian imports under HTS subheading 2814.20 during the period of review. In doing so, it compares the Indonesian import volume to the volume of its own purchases during the period of review and, following this reasoning, suggests that the only significant volume of the input imported by the five other countries found to be economically comparable to the PRC was that imported by the Philippines during the period of review.

In Comment 1 of this memorandum, we stated that it is the Department's practice, when selecting the best available information for valuing factors of production, to select surrogate values which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. We find that the *GTA* import data for aqueous ammonia meets all of these criteria. Also, we note that the only Indonesian value for aqueous ammonia suggested by either party was derived from the *GTA* import data for that country. *See* GEO's May 1st Submission at Exhibit 2. We continue to find it to be the most specific available data from Indonesia for this raw-material input.

As stated in Comment 1 above, in determining whether a surrogate value derived from *GTA* data is aberrational, it is our policy to compare that value to the *GTA* data of the input of the other five countries found by the Department to be economically comparable to the PRC. Baoding Mantong asks us to compare the value derived from Indonesian *GTA* data to the amount of its own purchases during the period of review. We do not find this to be an appropriate basis of comparison when we have import data, submitted by Baoding Mantong in Exhibit 2 of its July 16, 2012, submission, for the six economically comparable countries. Based on our practice, we find that three other countries had lower import volumes than Indonesia during the period of review and that the average unit value of Indonesian imports during that period roughly fell in the middle of the range of average unit values for the six countries. The *GTA* data shows that Indonesia imported nearly 82 metric tons of aqueous ammonia, an amount which we find reflective of commercial quantities, particularly when compared to the imports of Ukraine, which amounted to less than one metric ton during the period of review. The data further shows that Indonesia's average unit value of 4.06 USD/kilogram falls within a range from 0.28 USD/kilogram to 6.94 USD/kilogram for the six countries. Because it falls in the middle of the range, we find this average unit value to be representative of market averages. Thus, based on our comparison of the *GTA* data of each of the economically-comparable countries, we do not find evidence to suggest that the import data for Indonesia is unreliable or aberrational.

Therefore, we find no basis to change the surrogate value to one of the alternatives suggested by Baoding Mantong. Baoding Mantong suggested that we rely on the *GTA* import statistics for the Philippines or on the sales information of an Indian chemical company to value aqueous ammonia. However, as explained above, under 19 CFR 351.408(c)(2), our practice is to value all factors from a single surrogate country when we have useable and reliable data. In this instance, we selected Indonesia as our primary source for surrogate values pursuant to section 773(c)(4)(A)-(B) of the Act. Indonesia meets our surrogate country selection criteria and record evidence supports a finding that the Indonesian import data is reliable and, based on a comparison with the other potential surrogate countries, accurate. Accordingly, we will continue to base our valuation of aqueous ammonia on the *GTA* Indonesian import data for the final results of review.

Comment 3: Valuation of Formaldehyde

In its July 16, 2012, comments on the revised preliminary results, Baoding Mantong argues that, as with the valuation of liquid chlorine and liquid ammonia, the surrogate value for formaldehyde is aberrational due to the small volume of Indonesian imports upon which it is based. The company notes that, in the previous administrative review, the surrogate value was calculated to be significantly less than in the current review and that there is no indication in the record that the input costs of the formaldehyde used by Baoding Mantong increased by over three fold between the two review periods. Baoding Mantong opines that this increase is solely due to the use of an aberrational surrogate value in the current review.

Baoding Mantong asserts that the volume of Indonesian imports of formaldehyde during the period of review is insignificant when compared to the volume it purchased during the same period of time. It states that it is inconceivable that the import volume represents a significant commercial quantity given that the purchases of a small company, such as Baoding Mantong, would account for well over 50 percent of Indonesian imports. It notes that, among the other countries considered to be economically comparable to the PRC, only the Philippines appears to have imported significant commercial quantities of formaldehyde during the period of review. It comments that this volume represents over 30 times the volume that Baoding Mantong purchased during the period of review and that the Filipino volume was over 16 times greater than the volume of formaldehyde imported by Indonesia during the period of review. Baoding Mantong states that, if the Department continues to value formaldehyde using import data in the final results, then it should use the average unit value of eligible Filipino imports.

Baoding Mantong proposes, as an alternative surrogate value, that the Department use an average unit value based on the formaldehyde sales of Kanoria Chemicals Industries Limited, an Indian producer and seller of formaldehyde and other chloro-alkali products. Baoding Mantong notes that formaldehyde sales of this company during 11 months of the period of review reflect a sales volume that is almost 100 times greater than the volume of Indonesian imports of formaldehyde and over five times the volume of Filipino imports of formaldehyde during the period of review.

In its July 23, 2012, rebuttal comments, GEO responds that Baoding Mantong's arguments should also be rejected on the basis that it does not credibly explain why the Indonesian import value is aberrational. GEO notes that the argument that a lower import volume renders a value inaccurate and unreliable has been explicitly rejected by the Department and the Court of International Trade, citing *SDGE from the PRC*, and accompanying Issues and Decision Memorandum at Comment 5 and *Trust Chem*, 791 F. Supp. 2d at 1264-65. GEO adds that, by comparing the *GTA* average unit values of the other economically comparable surrogate countries to that of Indonesia, there is no evidence that the Indonesia value is aberrational. It notes that the Indonesian average unit value is lower than the values for three other countries and that Indonesia is the fourth highest country of six based on import volumes.

GEO concludes that, because the data does not support a finding that the *GTA* Indonesian value is aberrational, the Department should continue to base the surrogate value for formaldehyde on this data for the final results, which is consistent with its policy of using contemporaneous values that are from a single surrogate country and represent broad-based pricing.

Department's Position:

As discussed in Comment 1 above, it is the Department's practice, when selecting the best available information for valuing factors of production, to select surrogate values which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties.

For the preliminary results of review, we valued formaldehyde using *GTA* Indonesian data listed under HTS subheading 2912.11 for "Methanal (Formaldehyde)". We continue to find that this data represents "the best information available", pursuant to section 773(c)(1) the Act, because it meets the criteria of being product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. We note that the *GTA* value was the only value for formaldehyde from an Indonesian source suggested by the parties. *See* GEO's May 1st Submission at Attachment 2; and Baoding Mantong's July 16th Comments at Exhibit 2. We continue to find it to be the most specific available data from Indonesia for this raw-material input.

In its July 16, 2012, comments, Baoding Mantong argues that the *GTA* value is aberrational because the import volume upon which it is based is insignificant when compared to the amount of formaldehyde that the company purchased during the period of review. However, as we explained above in Comment 1 of this memorandum, it is our policy, in determining whether a surrogate value derived from *GTA* data is aberrational, to compare that value to the *GTA* data for the input of the other five countries found by the Department to be economically comparable to the PRC. Thus, according to our practice, we have compared the import data listed under the formaldehyde subheading for the period of review for Indonesia, Colombia, the Philippines, South Africa, Thailand, and Ukraine. Baoding Mantong included this data, in addition to the *GTA* data for Indonesia, in Exhibit 2 of its July 16, 2012, submission. As a result of this comparison, we find that Indonesia surpassed South Africa and Colombia in total import

volume – it imported 357 metric tons compared to their 828 kilograms and 3 metric tons, respectively. We also find that the adjusted average unit values[5] for the six countries range from 0.27 USD/kilogram to 23.54 USD/kilogram, with three countries having an average unit value in excess of Indonesia's average unit value of 0.49 USD/kilogram.

These findings provide us with no basis to conclude that the Indonesian *GTA* data is aberrational. In fact, when compared with the import volumes of South Africa and Columbia, Indonesian volumes reflects commercial quantities and, as its average unit value falls in the lower end of the range of these values, it reflects market averages. Therefore, we find that, when compared to the *GTA* data of the other economically-comparable countries, the *GTA* data from Indonesia used to value formaldehyde is appropriate and reliable.

Baoding Mantong suggests that, as alternatives to the *GTA* Indonesian data, we base the surrogate value on either the *GTA* data for the Philippines or the sales information of an Indian chemical company. However, as explained above, under 19 CFR 351.408(c)(2), our practice is to value all factors from a single surrogate country when we have useable and reliable data. In this instance, we selected Indonesia as our primary source for surrogate values pursuant to section 773(c)(4)(A)-(B) of the Act. Indonesia meets our surrogate country selection criteria and record evidence supports a finding that the Indonesian import data is reliable and, based on a comparison with the other potential surrogate countries, accurate. Accordingly, we will continue to base our valuation of aqueous ammonia on the *GTA* Indonesian import data for the final results of review.

Comment 4: Valuation of Steam Coal

In its July 16, 2012, comments on the revised preliminary results, Baoding Mantong contends that the Department should not continue to use import statistics to value steam coal for the final results because the data is not specific to the grade of steam coal that it used to produce the subject merchandise. It states that, consistent with the Department's normal administrative practice and the last two administrative reviews of the antidumping duty order on glycine from the PRC, the Department should rely upon the average price for the grade of non-coking steam coal at issue as reported by the Indian company, Coal India Limited (CIL). Baoding Mantong notes that CIL mines and markets approximately 80 percent of India's coal.

Baoding Mantong explains that, based on the unit heat value (UHV) of its steam coal that it reported in its section D response to the Department's antidumping questionnaire, it calculated an average price for the highest grade of coal sold by CIL that was subject to the same UHV range (*i.e.*, Grade-B, non-coking coal). Baoding Mantong notes that this price, which covers the period of review, is corroborated by the surrogate value used by the Department in the 2007/2008 administrative review.

[5] When calculating surrogate values based on import statistics, it is our policy to disregard prices that we have reason to believe or suspect may be subsidized, such as those relating to imports from India, South Korea and Thailand, as well as countries deemed to be non-market economies.

The company observes that the Department's revised surrogate value for steam coal is over 20 times the average price for Grade-B coking coal during the period of review and that, in addition to not being specific to Grade-B coking coal, the surrogate value is aberrational in the extreme by being 20 times higher than the value for coking coal.

Baoding Mantong also asserts that it is the Department's general practice to rely on CIL data when respondents report the UHV of their coal, citing *Coated Free Sheet Paper from the PRC: Final Determination of Sales at Less Than Fair Value*, 72 FR 60632 (October 25, 2007), and accompanying Issues and Decisions Memorandum at Comment 19. It states that, moreover, the Department selected CIL data over import statistics to value coal in both the *2006/2007 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 1, and the *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 5. Baoding Mantong concludes that, for these final results, the Department should use the contemporaneous CIL coal data it has placed on the record for the valuation of steam coal.

In its July 23 rebuttal comments, GEO counters that the Indonesian value for coal based on *GTA* import data is not aberrational. It notes that the Department can consider values in other economically comparable surrogate countries as benchmarks when considering a surrogate value and that, when the GTA data for all six countries are compared, there is no evidence that the Indonesian value is aberrational *vis-a-vis* the other surrogate countries.

GEO comments that, although the Indonesian average unit value is higher than those of the other four countries that had imports during the period of review, there is no inherently obvious reason for rejecting the Indonesian value. It adds that the Indonesian import volume is low but that, at over 600 metric tons, it is not aberrationally tiny. In support of its claims, GEO cites *Pure Magnesium from the People's Republic from China Final Results of Antidumping Duty Administrative Review*, 73 FR 76336 (December 16, 2008), and accompanying Issues and Decision Memorandum at Comment 2, in which the Department found that, without any evidence to substantiate a claim that high prices were not market driven, the Department rejected an argument that the prices were "aberrational" because of low volumes of trade. GEO also notes that the Department has rejected any strict minimum or maximum beyond which a particular value is deemed aberrational relative to other values, citing *Certain Cased Pencils from the People's Republic of China: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 74 FR 33406 (July 13, 2009) (*Pencils from the PRC*), and accompanying Issues and Decision Memorandum at Comment 6, in which the Department rejected a request to exclude certain values that were quadruple the overall average surrogate value for a particular input.

GEO rebuts that the only alternative value suggested by Baoding Mantong is from India, a country that is not on the list of primary surrogate countries in the current review and that has been expressly rejected by the Department as a surrogate country in recent non-market economy cases involving products from China. *See* GEO's rebuttal comments, dated July 23, 2012, at 16, citing *Certain Steel Threaded Rod From the People's Republic of China: Preliminary Results of the Administrative Review, Intent To Rescind, and Rescission, in Part,* 77 FR 27022, 27025 (May

8, 2012). It concludes that the Department should continue to value coal using the *GTA* Indonesian import data for the final results, which is consistent with its policy of using values that are from a single surrogate country and represent broad-based pricing.

Department's Position:

As discussed in Comment 1 of this memorandum, it is the Department's practice, when selecting the best available information for valuing factors of production, to select surrogate values which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties.

For the preliminary results of review, we based the surrogate valuation of steam coal on *GTA* Indonesian data that was listed under HTS subheading 2701.19 for "Coal, Other Than Anthracite Or Bituminous, Whether Or Not Pulverized, But Not Agglomerated". We find that this data meets our selection criteria of being product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. Thus, we continue to find that the value derived from this data represents "the best information available", pursuant to section 773(c)(1) the Act. We note that the *GTA* value was the only value for steam coal from an Indonesian source suggested by parties and placed on the record. *See* GEO's submission of additional information for valuing Baoding Mantong's factors of production, dated May 1, 2012, in Attachment 2; and Baoding Mantong's submission of surrogate value information, dated July 16, 2012, in Exhibit 4.

Baoding Mantong argues that the *GTA* value for steam coal is aberrational when compared to the CIL data for Grade-B, non-coking coal. However, as we explained in comment 1 above, it is our policy, in determining whether a surrogate value derived from *GTA* data is aberrational, to compare that value to the *GTA* data for the input of the other potential surrogate countries found by the Department to be economically comparable to the PRC. Baoding Mantong included this data, in addition to the *GTA* data for Indonesia, in Exhibit 4 of its July 16, 2012, submission. When we compare the data of the five countries that recorded coal imports during the period of review – Indonesia, the Philippines, South Africa, Thailand, and Ukraine – we find that Indonesia has the lowest import volume (*i.e.*, 604 metric tons) and the highest average unit value of 0.66 USD/kilogram. The other values range from 0.05 USD/kilogram to 0.21 USD/kilogram.

Although 604 metric tons is the lowest volume that was imported when compared with the other potential surrogate countries, there is no indication that the amount does not represent commercial quantities. Also, although the average unit value of 0.66 USD/kilogram exceeds the values for the other countries, record evidence does not support a finding that this value is unreliable and that, *e.g.*, the 0.05 USD/kilogram average unit value from Thailand is not unrealiable. Thus, based on our comparison of *GTA* data of five of the six economically-comparable countries, we find the *GTA* data for Indonesia is not aberrational.

We acknowledge that we used CIL data to value steam coal in the earlier administrative reviews of Baoding Mantong's glycine sales. However, we selected India as the primary source of surrogate values in those reviews. In the current review, we selected Indonesia as our primary

source of surrogate values in this review, pursuant to section 773(c)(4)(A)-(B) of the Act. *Preliminary Results*, 77 FR at 21740-41. Thus, as reliable public data is available from this source, and as our practice is to value all factors in a single surrogate country pursuant to 19 CFR 351.408(c)(2), we have relied on this data to value steam coal for this review.

The respondent has also asserted that the CIL pricing data is more specific than the *GTA* import data. However, as explained above, under 19 CFR 351.408(c)(2), our practice is to value all factors from a single surrogate country when we have useable and reliable data. In this instance, we selected Indonesia as our primary source for surrogate values pursuant to section 773(c)(4)(A)-(B) of the Act. Indonesia meets our surrogate country selection criteria and record evidence supports a finding that Indonesia data is reliable and, based on a comparison with data of the other potential surrogate countries, that it is accurate. Accordingly, we will continue to base our valuation of steam coal on the *GTA* Indonesian import data for the final results of review.

Comment 5: Valuations of By-products

In GEO's Case Brief, it argues that the Department overvalued both of Baoding Mantong's reported by-products when it based the valuations on import data from the *GTA*. Specifically, GEO asserts that it is inappropriate to base the values of hydrochloric acid and ammonium chloride on values based on Indonesian imports and that, for the final margin calculations, the Department should value the by-products at zero or, alternatively, limit their valuations to the import data for low-value imports from countries close to Indonesia.

In GEO's May 1st Submission, it included information from the website *ICIS.com*, a site that provides pricing information for the global chemical, energy and fertilizer industries. GEO observes in its May 11, 2012, brief that, in terms of pricing hydrochloric acid, the site stated that the product is either produced as top-of-the-range, chemically pure hydrochloric acid or as a by-product of several chlor-alkali processes, known as "by-product/technical/waste acid or 30-33% solution". *See* GEO's Case Brief at 3, citing GEO's May 1st Submission at Attachment 1 (page 5). GEO further notes that the website stated that *ICIS* information focuses on pricing for the by-product acid, which is extremely corrosive and has special handling requirements, such as rubber-lined road tankers, railcars and specially-lined rubber ships.

GEO argues that, because by-product hydrochloric acid is of little value and expensive to transport, it is not typically shipped internationally and, thus, should not be valued using import data. In support of its claims, GEO cites to its November 10, 2011 submission, which includes an abstract from an online "Chemical Economics Handbook" and invoices of U.S. sales of by-product hydrochloric acid. *See* GEO Specialty Chemicals' Rebuttal to Baoding Mantong's Surrogate Country Comments and Submission of Proposed Surrogate Values, dated November 10, 2011, at Volume 10 (Exhibit 4). The sales invoices show that, during the period of review, the acid was sold within the United States for a maximum value of 0.13 USD/kilogram, as opposed to the approximate 0.40 USD/kilogram calculated by the Department for the preliminary results of review. GEO further asserts that, given the commercial infeasibility of trading by-product acid internationally, it is impossible that the highest, country-specific average

unit values in the import data, ranging from 3.07 to 6.22 USD/kilogram, reflects sales of this type of acid.

GEO argues that U.S. import data, obtained from the U.S. International Trade Commission's website (*dataweb.usitc.gov*), also illustrates that commerce in the by-product acid is generally limited to transactions between local buyers and sellers and that it is not traded over long distances. It notes that the U.S. data for hydrochloric acid shows that most of the imports during the period of review were purchased from Canada or Mexico. GEO notes that, similarly, the Indonesian import data shows that the average unit values for Singapore and Malaysia were lower than the values of more-distant imports. GEO further notes it placed *ICIS* pricing data on the record showing that, during the period of review, the price of by-product acid ranged from 0.10 USD/kilogram to 0.14 USD/kilogram in the United States and Europe. *See* GEO's Case Brief at 6-7, citing GEO's May 1st Submission at Attachment 1 (pages 7-11).

GEO argues that, had the true market value of Baoding Mantong's by-product acid been close to the Indonesian import values, then the company would have undertaken efforts to sell the by-product in Indonesia or another export market, rather than disposing of it locally.

GEO asserts that the by-product acid should be valued at or near zero for the final results because the Indonesian import data is inconsistent with commercial reality; it opines that, even the lower average unit values for imports from contiguous or nearby countries were higher than what would be expected for by-product hydrochloric acid. GEO adds that it is likely that the import values reflect significant amounts for freight charges, whereas Baoding Mantong's by-product was ex-factory merchandise. GEO argues that, if the Department does not value the by-product at zero, it should then use the *ICIS* pricing data to value the by-product because, unlike the Indonesian import data, the pricing data is specific to sales of the by-product hydrochloric acid made on *ex works* or local delivery terms. GEO observes that, although the *ICIS* prices are not from the selected surrogate country, they do represent sales of a comparable product to Baoding Mantong's by-product and thus the prices are the most accurate and suitable data on the record for surrogate valuation. GEO specifically recommends that the Department value the by-product based on the *ICIS* pricing data for the U.S. Gulf states, which would be consistent with the Departmental policy that even a U.S. price may be used as a surrogate value when values in the primary surrogate countries are not available.

GEO contends that, if the Department continues to rely on the Indonesian import data for valuation, it should adjust the data to account for market realities. GEO requests that the highest average unit values, ranging from $3.07 to $6.22, be discarded as aberrational and inconsistent with any commercially-realistic value for by-product acid. It observes that, in past segments of other proceedings, the Department found that Indian import data for hydrochloric acid was aberrational and unreliable and opted for domestic pricing from the Indian publication *Chemical Weekly*. *See* GEO's Case Brief at 9, citing *Helical Spring Lock Washers From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 73 FR 4175 (January 24, 2008) (*Helical Spring Washers*), and accompanying Issues and Decision Memorandum at Comment 4. GEO argues that the differences between valuations derived from

Chemical Weekly and Indian import data in the prior segments are analogous to the difference between *ICIS* prices and Indonesian import data in the current review and that, thus, the higher average unit values in the *GTA* data are aberrational and unsuitable for inclusion in the calculation of the surrogate value for the final results.

In addition, GEO notes that, in Baoding Mantong's verification report, the Department made no mention of the company incurring delivery or freight expenses related to its by-product acid sales and recorded that there was no packaging associated with the sales. GEO thus requests that, to the extent that any Indonesian import values are used for surrogate valuation, they should be reduced to account for freight expenses from the source countries.

GEO further argues that the factor amount reported by Baoding Mantong is incorrect as a matter of basic chemistry. GEO notes that, in its January 30, 2012, pre-verification comments, it submitted information from a chemical engineer that indicated that no more than 0.40 kilograms of pure hydrochloric acid could be produced as a result of the production of one kilogram of glycine. It adds that, even if the hydrochloric acid was diluted to a 28-percent concentration, it could not amount to more than 1.43 kilograms, although the factor amount reported by Baoding Mantong exceeds this amount. GEO comments that, in Baoding Mantong's verification report, the Department found that the company did not track the by-product amounts in its production records and that warehouse records were missing or inconsistent with other company records. GEO asserts that any records that Baoding Mantong attempted to make on the spot at verification should be disregarded and that, even if the Department found that reported quantities for hydrochloric acid tied to warehouse-out vouchers and sales ledgers, these quantities do not document production quantities.

GEO argues that, regardless of the quantities of hydrochloric acid sold, the offset cannot exceed the quantities produced, citing *Steel Wire Garment Hangers from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 47587 (August 14, 2008) (*Steel Wire Garment Hangers from the PRC*), and accompanying Issues and Decision Memorandum at Comment 7. It states that, for this reason, the Department should disallow the offset in its entirety but that, alternatively, the Department should limit the factor amount to the maximum quantity that can be generated according to the principles of chemistry. However, GEO then states in conclusion that, due to the obvious misreporting of the hydrochloric acid factor amount, the Department should apply an adverse inference to this amount that does not exceed the maximum quantity that can be produced according to the principles of chemistry.

GEO states that, if both by-products are not assigned a zero value, then the Department should also value ammonium chloride by using only low, local values. It specifies that, if the Department continues to use Indonesian import data for the final results, it should only use average unit values from countries that are close to Indonesia.

In its May 16, 2012, rebuttal comments, Baoding Mantong asserts that the Department should continue to value both by-products, which it sells to domestic purchasers in the ordinary course of business, using the Indonesian import data. It finds GEO's suggestion that the by-

products should be disallowed in its entirety to be patently absurd, since the Department is required to take all factors of production, including by-products, into account in its calculations and because the Department successfully verified the overall accuracy of Baoding Mantong's reported factors of production. Baoding Mantong acknowledges that the Department noted discrepancies with respect to certain warehouse-out slips (used to document the quantities of the by-products sold) but comments that the company officials explained these discrepancies at verification. It further comments that, at verification, the Department was able to tie November 2011 entries in the voucher book to appropriate totals reported on the by-products worksheet and to totals in the warehouse sub-ledger and the by-products sales ledger. Baoding Mantong argues that, given that it properly reported its by-product factors of production and the Department verified the period-of-review sales of the by-products, there is no factual basis upon which to deny their offsets.

Baoding Mantong continues that the Department should not disregard the Indonesian import data on the basis that it is aberrational, as GEO has failed to demonstrate such. It comments that GEO inappropriately compared this import data to the U.S. import statistics and the *ICIS* pricing data; Baoding Mantong states that, in order to determine if *GTA* data is aberrational, it is the Department's current practice to compare the surrogate values in question to the *GTA* data of the other potential surrogate countries identified for the review. *See* Baoding Mantong's May 16th Rebuttal Comments at 4, citing *Chlorinated Isocyanurates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 74 FR 66087 (December 14, 2009), and accompanying Issues and Decision Memorandum at Comments 1 and 4; *Lightweight Thermal Paper From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 57329 (October 2, 2008), and accompanying Issues and Decision Memorandum at Comment 10; and *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China*, 71 FR 53079 (September 8, 2006) (*Lined Paper Products*), and accompanying Issues and Decision Memorandum at Comment 5.

Baoding Mantong notes that GEO failed to place any *GTA* data on the record from the other countries identified by the Department as economically comparable to the PRC – Colombia, The Philippines, South Africa, Thailand and Ukraine. It adds that the Department no longer relies on U.S. import data or European pricing data as benchmarks in the determination of whether surrogate values are aberrational. *See id*., citing *Carbazole Violet Pigment 23 from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 75 FR 36630 (June 28, 2010), and accompanying Issues and Decision Memorandum at Comment 4.

Baoding Mantong also notes that, in determining whether a proposed surrogate value is aberrational, it is the Department's practice to compare statistics from the same source. *Id*. at 5, citing *Lined Paper Products*, and accompanying Issues and Decision Memorandum at Comment 5, and *Certain Hot-rolled Carbon Steel Flat Products from Romania: Final Results of Antidumping Administrative Review*, 70 FR 34448 (June 14, 2005) (*Carbon Steel Flat Products*), and accompanying Issues and Decision Memorandum at Comment 2. It opines that, because GEO alleges the *GTA* data for Indonesia to be aberrational, it is inappropriate to establish this

allegation with data from another source, such as *ICIS* pricing data.

In response to GEO's request that the Indonesian import data be adjusted for freight expenses, Baoding Mantong observes that GEO provided no support for its request, whereas *Sigma Corp v. U.S.*, 117 F.3d 1401 (Fed. Cir. 1997), establishes that the Department requires surrogate values to represent fully landed costs that include both international and inland freight costs. Baoding Mantong also comments that, in the cases in which the Department opted to use *Chemical Weekly* prices, those alternate surrogate values were specifically determined to be better sources for surrogate valuation than the Indian import statistics. It rebuts that, in the current review, GEO failed to establish that the import data was aberrational or to place a usable alternative surrogate value on the record.

Finally, in response to GEO's request that the Department disregard the higher average unit values in its surrogate value calculations for hydrochloric acid and ammonium chloride, Baoding Mantong notes that GEO could not provide any support for such an unprecedented action. It opines that GEO cannot be allowed to "cherry pick" import data from certain countries and notes that, absent a finding that data is aberrational or excluded because of the Department's policies about data from selected countries, the Department does not look behind surrogate data and make adjustments to it. *See id*. at 6, citing Notice of Final Determination of Sales at Not Less Than Fair Value: *Pure Magnesium From the Russian Federation*, 66 FR 49347 (September 27, 2001), and accompanying Issues and Decision Memorandum at Comment 2.

In its July 16, 2012, submission, GEO provided a copy of a filing with the U.S. Securities Exchange Commission by a U.S. metal company, Latrobe Specialty Metals, Inc., that refers to the company's maintenance of separate storage tanks for pure and waste hydrochloric acid. GEO asserts that this reference further supports the fact that pure and by-product hydrochloric acid are two different products.

GEO also argues in this submission that the Department should consider valuing hydrochloric acid at zero since the record demonstrated that by-product hydrochloric acid has an *ex-factory* value close to zero and that all available values under consideration as surrogate values reflected prices for pure hydrochloric acid or prices for by-product hydrochloric acid that possibly included significant freight charges. GEO adds that, unlike in the case of direct materials, which must be delivered to the factory, it is neither necessary nor appropriate to include international or inland freight expenses in the valuation of by-products. GEO states that, thus, any import data used to value hydrochloric acid should be adjusted to remove any freight expenses.

With respect to the Indonesian import data that it asserts should be discarded as aberrational (*i.e.*, the average unit values ranging from $3.07 to $6.22), GEO opines that there is ample evidence on the record that these values do not reflect imports of by-product acid. It adds that, unlike for products that are often traded internationally, the Department cannot simply resort to valuations based on import data from other countries or time periods for the valuation of by-product acid. It also asserts that, because by-product acid would not be traded internationally,

these other values cannot serve as benchmarks as to the validity of the Indonesian import data for use in valuing the by-product.

In its July 23, 2012, rebuttal comments, Baoding Mantong responded to GEO's argument that the yield of Baoding Mantong's hydrochloric acid exceeded the amount possible as a matter of basic chemistry. It commented that there are a number of simultaneous chemical reactions – which Baoding Mantong expressed as chemical formulas – that occur during the chlorination of acetic acid into monochloroacetic acid and that the yield suggested by GEO only reflected the amount of hydrochloric acid that would be generated by the primary chemical reaction. Baoding Mantong asserts that, if the other chemical reactions are taken into account, the yield of the by-product is greater than the 1.43 metrics tons/ton of glycine suggested by GEO.

Department's Position:

As discussed in Comment 1 of this memorandum, it is the Department's practice, when selecting the best available information for valuing factors of production, to select surrogate values which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. We find that this practice is guidance for the valuation of by-products.

For the preliminary results of review, we based the surrogate valuation of the two by-products on the *GTA* Indonesian data under the HTS subheadings 2806.10 for "Hydrogen Chloride (Hydrochloric Acid)" and 2814.20 for "Ammonium Chloride", respectively. We find that this data represents "the best information available", pursuant to section 773(c)(1) the Act, as it meets the criteria of being product-specific, representative of a broad-market average, publicly available, contemporaneous with the period of review, and free of taxes and duties. We note that the values derived from the *GTA* data were the only values from an Indonesian source placed on the record. *See* GEO's submission of additional information for valuing Baoding Mantong's factors of production, dated May 1, 2012, in Attachment 2.

As explained above, under 19 CFR 351.408(c)(2), our practice is to value all factors from a single surrogate country when we have useable and reliable data. In this instance, we selected Indonesia as our primary source for surrogate values pursuant to section 773(c)(4)(A)-(B) of the Act. Indonesia meets our surrogate country selection criteria and record evidence supports a finding that the Indonesian import data is reliable and, based on a comparison with the other potential surrogate countries, it is accurate. Given that we have Indonesian values for the by-products on the record that represent "the best information available" and that are not unreliable, we have no reason to consider alternative values from countries other than Indonesia. Accordingly, we have continued to value the by-products using the *GTA* data for Indonesia in the final results of review.

Although GEO did not assert that the selected values were aberrational, it nonetheless suggested alternative values for hydrochloric acid. Specifically, it suggested values from the U.S. and Europe that were more specific to by-product hydrochloric acid. A review of the record shows that Baoding Mantong did produce by-product acid with a 30-32 percent concentration.

See Baoding Mantong's section D response, dated August 2, 2011, at Exhibit D-5. But, as explained above, we have useable and reliable data from the primary source country. Thus, it would be inappropriate to rely on information which, although more specific to the product, is from countries not economically-comparable to the PRC.

GEO also argued that we should use value the hydrochloric acid at zero or use one of its suggested alternatives because of the high transportation costs associated with the movement of hydrochloric acid. We acknowledge that *GTA* obtains its trade data for Indonesia from Statistics Indonesia, an Indonesian government organization, and the import data is reported on a CIF basis. *See* Revised Preliminary Results at Attachment 1. Thus, the data does reflect freight expenses. We also note that, ideally, the surrogate value of a by-product would not include any freight expenses since it is produced at a respondent's facility. However, if we were to value the by-product at zero, we would be eliminating the value of the hydrochloric acid from normal value along with associated freight costs. If we were to base the value on one of GEO's alternative prices, we would not be selecting a value from Indonesia or even a country found to be economically-comparable to the PRC. The only proposed Indonesian value on the record was that based on the *GTA* import data. Thus, even though it is not net of freight expenses, we find that, given all of the other considerations, this value is based on the best available information on the record.

GEO argues that the average unit values of imports from certain countries to Indonesia (*i.e.*, line-item entries used to calculate the surrogate value for Indonesia) should be found to be aberrational (*i.e.*, too high) and, thus, eliminated from the calculations of our surrogate values for both by-products. The Department has previously considered this issue and rejected any strict minimum or maximum beyond which a particular value is deemed aberrational relative to other values, citing *Pencils from the PRC*, 74 FR at 33406, and accompanying Issues and Decision Memorandum at Comment 2, in which the Department rejected a request to exclude certain values that were quadruple the overall average surrogate value for a particular input.

GEO observes that, in past segments of other proceedings, the Department found that Indian import data for hydrochloric acid was aberrational and unreliable and opted for domestic pricing from the Indian publication *Chemical Weekly*. *See* GEO's Case Brief at 9, citing *Helical Spring Lock Washers*, and accompanying Issues and Decision Memorandum at Comment 4. GEO argues that the differences between valuations derived from *Chemical Weekly* and Indian import data in the prior segments are analogous to the difference between *ICIS* prices and Indonesian import data in the current review and that, thus, the higher average unit values in the *GTA* data are aberrational and unsuitable for inclusion in the calculation of the surrogate value for the final results.

We find that the concerns with the Indian *GTA* data in *Helical Spring Lock Washers*, which led the Department to select *Chemical Weekly* data for hydrochloric acid, are simply not present in this review. Mainly, the record of this review shows that the Indonesia values for hydrochloric acid are not aberrational or unreliable. Furthermore, in *Helical Spring Lock Washers* the Department had several options in selecting the best surrogate value for chlorine,

including non-import data from its primary surrogate country, India. Here, we are faced with *GTA* data from our primary surrogate country which we have found to not be aberrational, and non-import data from non-surrogate countries. Because we have established that Indonesian *GTA* data for hydrochloric acid is not aberrational or unreliable we do not find it necessary to rely on U.S. or European prices or make any further adjustments to the *GTA* data.

Finally, GEO argues that we should modify the factor amount of hydrochloric acid reported by Baoding Mantong or disallow the byproduct entirely on the basis that, given the amount of glycine produced by the company during the period of review, the amount of hydrochloric acid it claimed to produce defied the principles of chemistry. However, we examined company records and confirmed the reported production of both by-products while at verification, and therefore see no need to make adjustments or disallow the byproduct entirely. *See* Verification Report at 37-38. Moreover, we are persuaded by Baoding Mantong's rebuttal argument that the amount of hydrochloric acid produced was due to both primary and secondary chemical reactions.

Comment 6: Valuation of Surrogate Financial Ratios

In its July 16, 2012, comments on the Revised Preliminary Results, Baoding Mantong argues that the Department should not continue to use the financial information of pharmaceutical and biotech companies in the calculation of its surrogate financial ratios. It contends that, although these companies did produce advanced amino acids and bio-tech compounds which the Department found to be comparable products to glycine, the operations of the pharmaceutical and biotech companies do not reflect Baoding Mantong's operations.

Baoding Mantong observes that pharmaceutical and biotech companies produce high-value patented and branded medical or biotechnology products and that, consequently, they have extremely high research and development (R&D) expenses and high selling costs on products in which the raw materials form a small part of the cost. It states that, by contrast, glycine is a low-value commodity product, mainly used as a food sweetener, in which the raw materials account for a larger share of the production costs.

The respondent notes that, under section 773(c)(1) of the Act, the Department is required in non-market economy cases to value the factors of production utilized by the respondent in the production of subject merchandise. Citing *Shakeproof Assembly Components, Div. of 111. Toolworks, Inc. v. United States*, 268 F.3d 1376, 1379 (Fed. Cir. 2001), Baoding Mantong further notes that the purpose of the factors of production methodology is to determine what the normal value would be if the producer's costs were set by the market forces in a comparable economy. Baoding Mantong contends that, consequently, the Department should seek financial ratios from surrogate companies that reflect the operations of the respondent.

The respondent notes that there is no R&D involved in the production of glycine, which it describes as a commodity product with a relatively low value. It adds that, since the development of its constructed-export-price sales channel to the United States, its

selling expenses have declined. It concludes that it is therefore unreasonable to assign Baoding Mantong a selling, general and administrative (SG&A) ratio of 129 percent, a ratio that reflects the operations of pharmaceutical and biotech companies. Baoding Mantong suggests that, as an alternative, the Department should base the calculation of the financial ratios on the financial reports of three Indian companies and one Indonesian company, all of which produce the raw materials that Baoding Mantong used to produce the subject merchandise.

In its July 23, 2012, rebuttal comments, GEO asserts that the Department should continue to use the financial ratios in the final results that it calculated for the preliminary and revised preliminary results. GEO argues that the financial information provided by Baoding Mantong – the information for three Indian companies and one Indonesian company – should be rejected on the basis that the companies produce raw-material inputs used in the production of glycine. It adds that the Department has consistently rejected information on this basis in the past, including in the *2007/2008 Glycine Final Results*, and accompanying Issues and Decision Memorandum at Comment 7, where the Department selected the information of producers of amine-based products and rejected that of producers of acetic acid and monochloroacetic acid. GEO cites additional support in *Steel Wire Garment Hangers from the PRC* at Comment 3; and *Certain Steel Threaded Rod from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 8907 (February 20, 2009), and accompanying Issues and Decision Memorandum at Comment 1. GEO concludes that the Department should not depart from its practice of not relying on the financial information of raw-material producers in the calculation of its surrogate financial ratios.

In its July 23, 2012, rebuttal comments, Baoding Mantong notes that GEO included the financial information of three Indonesian cosmetic companies in its July 16, 2012, submission.[6] Baoding Mantong opines that the Department should not use this information in the calculation of the surrogate financial ratios, as it would not be appropriate to use the information of cosmetic companies. Baoding Mantong asserts that, as in the case of pharmaceutical companies, cosmetic companies produce and market high-valued-added products, which require huge SG&A expenditures to develop and distribute the products. Baoding Mantong states that the information used to calculate the financial surrogates should be limited to companies engaged in the production of industrial chemicals and that are thus more comparable to Baoding Mantong.

Department's Position:

For the preliminary and revised preliminary results, we relied on the financial information of three Indonesian pharmaceutical companies, as there was no information on the record for companies in Indonesia that produced glycine. Baoding Mantong now asks us to consider the information of three Indian companies and one Indonesian company. With respect to the Indian companies, we find no reason to consider the financial information of Indian companies when we have useable financial statements from Indonesian firms. We identified Indonesia as the primary source of surrogate values in this review, pursuant to section 773(c)(4)(A)-(B) of the Act. *Preliminary Results*, 77 FR 21740-41. Because we have selected

[6] GEO provided no comments to the Department on this factual information.

Indonesia as the primary source and because we have publicly available financial statements of Indonesian companies, we will rely on this information pursuant to 19 CFR 351.408(c)(2).

With respect to the Indonesian company suggested by Baoding Mantong, a review of its financial information shows that it is primarily a producer of urea fertilizer. *See* Baoding Mantong's July 16, 2012, comments, Attachment 5 at 6. Because urea fertilizer is generally used as a raw-material input in other chemical products, we do not find it to be comparable to glycine and agree with GEO that it would be inappropriate to value the financial ratios using the information of a company that produces a raw material.

However, we also agree with Baoding Mantong that the companies suggested by GEO in its July 16, 2012, submission are inappropriate. The Indonesian cosmetic companies incur distribution and marketing costs that are not an accurate reflection of Baoding Mantong's business activities. Therefore, for the final results, we will continue to rely upon the financial information of the three Indonesian pharmaceutical companies for our calculations of surrogate financial ratios.

Comment 7: Implementation of Verification Findings

GEO noted in its May 11, 2012, case brief that the Department found numerous errors at verification including a shipment date that could not be verified; bank charges that were omitted; freight charges that were omitted; international and U.S. inland freight charges that were understated; and direct selling expenses that were understated. GEO requests that, for the final results, the Department correct all errors found at verification and apply adverse inferences where appropriate. GEO suggests that, as an example, the Department should apply adverse facts available for the omitted charges and, as adverse facts available, use the highest reported charge or the highest per-unit amount discovered at verification.

In its July 16, 2012, submission, GEO added that, based on the findings of a sales trace at verification, Baoding Mantong appeared to have incorrectly reported the international freight charges for one sale. According to GEO, the verification findings indicated that the charges had been excluded from the recorded invoiced amount of the sale. GEO asserts that, in light of this finding and the terms of the sale, the Department should deduct the freight charges from the reported gross unit price of the sale for the final results.

Department's Position:

GEO's comments refer to findings we made at verification upon review of the sales trace documentation for eight sales. *See* Verification Report at 20-24. Based on these findings, we entered corrected data in the U.S. sales database and used this database in our preliminary results. We notified parties of our specific changes to the database in the analysis memorandum detailing the calculations of Baoding Mantong's dumping margin for the preliminary results. *See* Memorandum to the File from Edythe Artman, International Trade Analyst, regarding "Baoding Mantong Fine Chemistry Co., Ltd. – Analysis Memorandum for the Preliminary Results of the

Antidumping Duty Administrative Review of Glycine from the People's Republic of China", dated March 30, 2012 (Preliminary Analysis Memorandum), at 3-5. Thus, with one exception discussed below, the verification findings addressed by GEO were incorporated in our preliminary and revised preliminary results of review.

Upon review of the record, we find that we overlooked the verification findings with respect to bank charges and failed to address these findings in our analysis memorandum. Two of the sales for which we found bank charges at verification were export-price sales. *See* Verification Report at 21-22. We note that, in a review of a non-market economy antidumping duty order, we do not ask respondents to report direct selling expenses, such as bank charges, incurred in the home market because we instead calculate surrogate selling expenses for inclusion in the calculation of normal value. Thus, Baoding Mantong was not required to report the bank charges on export-price sales that we saw at verification but we should have clarified in our analysis memorandum that it was not necessary for us to enter these charges in the margin-calculation program. We also found a constructed-export-price sale at verification for which bank charges had been incurred in the United States by Baoding Mantong's U.S. affiliate. *See* Verification Report at 22 and in Exhibit 15 at 27. The company was requested to report this type of expense in section C of the antidumping questionnaire. Thus, it erred in not doing so. However, we found that the company did not incur bank charges on any of the other five constructed-export-price sales for which we examined the sales-trace documentation. Furthermore, if we were to apply, as adverse facts available, the per-unit amount of the bank charges of the one sale to the U.S. price of that sale and all unverified constructed-export-price sales, the amount is so small that it would have a negligible effect on Baoding Mantong's dumping margin. Therefore, although we should have addressed this finding in our analysis memorandum for the preliminary results, it has no impact on the margin calculation and, accordingly, we have made no changes to the final results relating to this finding.

With respect to GEO's comment about the exclusion of international freight charges for one sale, we note that this is not an accurate interpretation of our verification findings. In our verification report, we described how Baoding's accountant erred in entering the invoiced amount for a sale – the amount due for the product and freight expenses – in Baoding Mantong's operating income account. *See* Verification Report at 22. We then stated that he had demonstrated to us how, based on the amount of freight expenses, he had removed this amount from the account. *Id*. Not only did we not find that the company had failed to report freight expenses for this sale to the Department but a perusal of Baoding Mantong's response to section C of the antidumping questionnaire establishes that it had reported incurring international freight expenses on this export-price sale by a non-market economy carrier. *See* Baoding Mantong's section C response, dated August 2, 2011, at 18-19 and Exhibit C-1. Finally, a review of Baoding Mantong's analysis memorandum for the preliminary results shows that, in response to Baoding Mantong's affirmative indication, we had entered a surrogate freight expense for this sale in the margin-calculation program. *See* Memorandum to the File from Edythe Artman, International Trade Analyst, regarding "Baoding Mantong Fine Chemistry Co., Ltd. – Analysis Memorandum for the Preliminary Results of the Antidumping Duty Administrative Review of Glycine from the People's Republic of China", dated March 30, 2012, at 3-4.

Comment 8: Import Data Extracted in Incorrect Currency

In its May 11, 2012, case brief, GEO comments that the Department erred in extracting *GTA* data in Indian rupees in the preliminary results of review. GEO opines that the Department should have extracted the data in Indonesian rupiahs and that the Department should correct this error in the final results of review.

Department's Position:

We agree with GEO that the *GTA* data, upon which we based the calculations of several factors of production for the preliminary results, was extracted from the *GTA* database in the incorrect currency. Moreover, correction of this error has a significant impact on Baoding Mantong's dumping margin, changing it from zero percent to 457.76 percent. For this reason, we issued revised preliminary results of review on June 27, 2012. *See* Revised Preliminary Results.

Although we agree with GEO that the data was extracted in the incorrect currency, we do not agree that it should be extracted in Indonesian rupiahs. As we discussed in our June 27, 2012, memorandum to the file, we found that the *GTA* obtains its Indonesian data from Statistics Indonesia, an Indonesian government organization, and that the data is reported to the *GTA* in U.S. dollars. Therefore, for our revised preliminary results, we extracted any *GTA* data we used in dollars, in order to avoid distortions due to unwarranted currency conversions. We have made no changes to this data for our final results of review.

Comment 9: Errors in the Calculations of Surrogate Values for Packing Materials

Baoding Mantong opines that the Department made an error in its calculations of the surrogate values of certain packing materials. Specifically, it found that the Department mistakenly converted the surrogate values for the packing materials to a per-metric-ton basis for application to the factor amounts, which Baoding Mantong reported on a per-kilogram basis. It suggests that, for the final results, the Department modify its Excel spreadsheet of surrogate values with respect to the values for paper bags, wooden pallets, plastic sheeting and polyethylene inner bags so that the values are not converted but remain on a per-kilogram basis.

Department's Position:

We have reviewed the record and agree with Baoding Mantong that the costs of packing materials were incorrectly calculated for the *Preliminary Results* as a result of a conversion error. The record shows that Baoding Mantong reported most of its inputs on a metric-ton basis. *See* Baoding Mantong's section D response, dated August 2, 2011, at Exhibit D-5. However, it reported the packing materials – paper bags, polyethylene inner bags, wooden pallets and plastic sheets – that it used to produce one metric ton of glycine – in kilograms. *Id.* at D-16 and Exhibit D-5. We confirmed that the weights of the materials had been reported in kilograms at verification. *See* Verification Report at 37 and Exhibit V-13. Therefore, for each of the packing

materials, we have modified the Excel spreadsheet of surrogate values to reflect the correct reported unit (*i.e.*, kilograms), to indicate that no conversion of the surrogate value is necessary, and to reflect the correct unit conversion factor of "1". These changes modify the calculation of the surrogate prices in the spreadsheet and the corrected prices are then entered from the spreadsheet into the margin-calculation program. In order to provide parties with the most accurate results, we incorporated these modifications is our revised preliminary results of review and have retained them in the final results of review.

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the positions set forth above and adjusting the related margin calculations accordingly. If these recommendations are accepted, we will publish the final results and the final weighted-average dumping margin for Baoding Mantong in the *Federal Register*.

Agree ✓ Disagree _____

Paul Piquado
Assistant Secretary
for Import Administration

9 OCTOBER 2012
Date