November 26, 2014

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MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for Preliminary Results of 2012-2013 Antidumping Duty Administrative Review: Diamond Sawblades and Parts Thereof from the People's Republic of China

SUMMARY

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on diamond sawblades and parts thereof (diamond sawblades) from the People's Republic of China (the PRC) covering the period of review (POR) November 1, 2012, through October 31, 2013. The Department preliminarily determines that during the POR certain manufacturers/exporters covered by this review made sales of subject merchandise at less than normal value (NV). If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. We intend to issue the final results within 120 days from the date of publication of these preliminary results pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act).

BACKGROUND

On November 4, 2009, the Department published in the *Federal Register* an antidumping duty order on diamond sawblades from the PRC.[1] On November 1, 2013, the Department published in the *Federal Register* a notice of opportunity to request an administrative review of the order.[2]

Based on timely requests for an administrative review, the Department initiated an administrative review on December 30, 2013.[3] On March 27, 2014, we selected Bosun Tools Co., Ltd. (Bosun)

[1] *See Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea: Antidumping Duty Orders*, 74 FR 57145 (November 4, 2009).
[2] *See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 78 FR 65612 (November 1, 2013) (*Opportunity Notice*).
[3] *See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 79392 (December 30, 2013) (*Initiation Notice*).

and Weihai Xiangguang Mechanical Industrial Co., Ltd. (Weihai), for individual examination in this review.[4]

SCOPE OF THE ORDER

The products covered by the order are all finished circular sawblades, whether slotted or not, with a working part that is comprised of a diamond segment or segments, and parts thereof, regardless of specification or size, except as specifically excluded below. Within the scope of the order are semifinished diamond sawblades, including diamond sawblade cores and diamond sawblade segments. Diamond sawblade cores are circular steel plates, whether or not attached to non-steel plates, with slots. Diamond sawblade cores are manufactured principally, but not exclusively, from alloy steel. A diamond sawblade segment consists of a mixture of diamonds (whether natural or synthetic, and regardless of the quantity of diamonds) and metal powders (including, but not limited to, iron, cobalt, nickel, tungsten carbide) that are formed together into a solid shape (from generally, but not limited to, a heating and pressing process).

Sawblades with diamonds directly attached to the core with a resin or electroplated bond, which thereby do not contain a diamond segment, are not included within the scope of the order. Diamond sawblades and/or sawblade cores with a thickness of less than 0.025 inches, or with a thickness greater than 1.1 inches, are excluded from the scope of the order. Circular steel plates that have a cutting edge of non-diamond material, such as external teeth that protrude from the outer diameter of the plate, whether or not finished, are excluded from the scope of the order. Diamond sawblade cores with a Rockwell C hardness of less than 25 are excluded from the scope of the order. Diamond sawblades and/or diamond segment(s) with diamonds that predominantly have a mesh size number greater than 240 (such as 250 or 260) are excluded from the scope of the order. Merchandise subject to the order is typically imported under heading 8202.39.00.00 of the Harmonized Tariff Schedule of the United States (HTSUS). When packaged together as a set for retail sale with an item that is separately classified under headings 8202 to 8205 of the HTSUS, diamond sawblades or parts thereof may be imported under heading 8206.00.00.00 of the HTSUS. On October 11, 2011, the Department included the 6804.21.00.00 HTSUS classification number to the customs case reference file, pursuant to a request by CBP.[5] The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of the order is dispositive.

REQUEST TO MODIFY THE PHYSICAL CHARACTERISTICS

The petitioner[6] filed comments on April 18, 2014, requesting that the Department modify the physical characteristics that establish control numbers, explaining that these were originally determined approximately a decade ago.[7] The petitioner asserts that since that time the Department has increased its knowledge concerning the cost structure associated with the

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[4] *See* the memorandum entitled "Diamond Sawblades and Parts Thereof from the People's Republic of China: Selection of Respondents for Individual Examination" dated March 27, 2014 (Respondent Selection Memorandum).
[5] *See Diamond Sawblades and Parts Thereof From the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 76128, 76130 (December 6, 2011).
[6] The petitioner is Diamond Sawblades Manufacturers' Coalition.
[7] *See* the petitioner's letter dated April 18, 2014.

production of diamond sawblades. The petitioner suggests that, in order to account for the actual costs of production of diamond sawblades more accurately, the Department should slightly revise the control numbers by (1) adding one field for bond (or powder mix, which, according to the petitioner, holds the diamonds to the segments and determines the rate at which the diamonds wear away or diminish) and (2) updating the core metal field. The petitioner also claims that (1) diamond weight of 1/100 carat may represent only one-fifth of a penny and (2) it may not be necessary to gather diamond weight of 1/100 carat.

According to the petitioner, diamond sawblades typically consist of synthetic diamond crystals, a bonding system, a segment or rim, and a metal core. The petitioner explains that diamond sawblades are produced differently for specific applications. The petitioner explains further that, depending on specific applications, diamond sawblades have differences in type, quantity, size, and concentration of diamonds with a bonding matrix designed to provide (1) a medium to support the diamonds and (2) a specific wear rate matched to the material being cut for specific applications. The petitioner claims that this bond or powder mix can account for up to 60 percent of the cost of the sawblade.

The petitioner explains that the bonding material is designed to wear away or diminish at a rate matched to the material being cut so as to expose more diamonds to grind the material away. Therefore, according to the petitioner, when a diamond sawblade cuts a dense, hard material like porcelain tile, it is best to design a blade with a soft bond that will wear quickly to expose more diamonds and, conversely, when a diamond sawblade cuts soft, abrasive material like asphalt, it is best to design a hard bond to give the diamonds more time to work. The petitioner claims that the two most important criteria in diamond sawblades quality are speed of cut and life of the diamond sawblade. The petitioner explains that, in order to satisfy these two criteria, manufacturers produce diamond sawblades with different quality based on the specific material being cut. The petitioner explains further that a higher quality sawblade generally provides a significantly longer working life when used in the proper application. The petitioner asserts that it proposes changes to the control number and physical characteristics in order to identity and capture the cost differences that arise based on the quality of the sawblade.

Weihai opposes the petitioner's request for modification to physical characteristics.[8] Weihai argues that the petitioner raised this issue more than three months after the initiation of this review. Citing *Diamond Sawblades and Parts Thereof from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances*, 71 FR 29303 (May 22, 2006) (*LTFV Final*), and the accompanying Issues and Decision Memorandum (I&D Memo) at Comment 5, in which the Department stated that "the appropriate time to consider comments with respect to the physical characteristics and model match criteria is at the beginning of the proceeding," Weihai contends that it is not appropriate for the petitioner to raise this issue more than three months after the initiation of this review. Weihai argues that the petitioner's proposal is filled with conclusory allegations without meaningful data or justification. Weihai asserts that the petitioner's statements for the revisions to the physical characteristics for control numbers do not satisfy the Department's standard for revising physical characteristics for control numbers. Citing and quoting *Fagersta Stainless AB* v. *United States*, 577 F. Supp. 2d 1270 (CIT 2008), Weihai claims

[8] *See* Weihai's April 29, 2014, rebuttal to the petitioner's request.

that the petitioner has not satisfied the burden of providing any compelling and convincing evidence that (1) the current physical characteristics "are not reflective of the merchandise in question," (2) there have been changes in the diamond sawblades industry that necessitate a revision, or (3) "there is some other compelling reason present which requires a change."[9]

We preliminarily find that it is not appropriate to amend the requirements for reporting physical characteristics as the petitioner proposes. As an initial matter, the petitioner's request was made after the relevant questionnaires had been sent to the respondents. Moreover, we do not modify the criteria for reporting physical characteristics in a proceeding unless there is compelling and convincing evidence demonstrating that (1) the current physical characteristics are not reflective of the subject merchandise, (2) there have been industry-wide changes to the product that merit a modification, or (3) there is some other compelling reason to change the current requirements for reporting physical characteristics.[10] Our practice of not modifying requirements for reporting physical characteristics absent compelling reasons "has been recognized as a reasonable means of interpreting the statute."[11]

The petitioner did not provide compelling and convincing evidence to modify the established requirements for reporting physical characteristics for this administrative review. Moreover, we rejected similar arguments from the petitioner in the investigation.[12] In the current review, the petitioner provided no evidence demonstrating that (1) the current physical characteristics are not reflective of the subject merchandise, (2) there have been industry-wide changes to the product that merit a modification, or (3) there is some other compelling reason to change the current requirements for reporting physical characteristics. The petitioner's narrative proposal with no supporting evidence is insufficient for us to consider modifying the requirements for reporting physical characteristics.

Because we do not have any compelling reason to modify the requirements for reporting physical characteristics, we find that requiring respondents to provide additional physical characteristics

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[9] *See* Weihai's letter dated April 29, 2014, at 6, quoting *Fagersta Stainless AB*, 577 F. Supp. 2d at 1276-77.
[10] *See LTFV Final* and the accompanying I&D Memo at Comment 5 ("the appropriate time to consider comments with respect to the physical characteristics and model match criteria is at the beginning of the proceeding"). *See also, e.g., Notice of Final Results of the Twelfth Administrative Review of the Antidumping Duty Order on Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea*, 72 FR 13086 (March 20, 2007), and the accompanying I&D Memo at Comment 1 ("in general, the Department refrains from revising the model-match criteria unless there is considerable and compelling evidence that the current model-match criteria is not reflective of the merchandise in question, there have been industry changes to the product that merit a modification, or there is some other compelling reason present requiring a change"), and *Carbazole Violet Pigment 23 from India: Final Results of Antidumping Duty Administrative Review*, 75 FR 38076 (July 1, 2010), and the accompanying I&D Memo at Comment 2. *See also Fagersta Stainless AB*, 577 F. Supp. 2d at 1276-77 ("A party seeking to modify an existing model-match methodology has alternative means to demonstrate that 'compelling reasons' exist to do so. Commerce will find that 'compelling reasons' exist if a party proves by 'compelling and convincing evidence' that the existing model-match criteria 'are not reflective of the merchandise in question,' that there have been changes in the relevant industry, or that 'there is some other compelling reason present which requires a change.'"). In *Fagersta Stainless AB*, the U.S Court of International Trade (CIT) upheld the Department's decision not to modify the physical characteristics and the model-match criteria. In NME cases, we do not match U.S. models with home-market models but we use the control numbers established using the physical characteristics to match the U.S. sales with the factors of production (FOPs). *See* the Normal Value section, *infra.*
[11] *See Fagersta Stainless AB*, 577 F. Supp. 2d at 1276-77.
[12] *See LTFV Final* and the accompanying I&D Memo at Comment 5.

and modify control numbers would impose undue burden on respondents and we have no reason at this time to believe that modifying the requirements for reporting physical characteristics will enhance for our analysis and calculation of antidumping duty margins.

RESCISSION OF REVIEW IN PART

In accordance with 19 CFR 351.213(d), the Department will rescind an administrative review in part "if a party that requested a review withdraws the request within 90 days of the date of the publication of notice of initiation of the requested review." Subsequent to the initiation of the review, we received a timely withdrawal of the request we had received for the review of Husqvarna (Hebei) Co., Ltd.[13] Because there are no other requests for review of Husqvarna (Hebei) Co., Ltd., we are rescinding the review with respect to Husqvarna (Hebei) Co., Ltd., in accordance with 19 CFR 351.213(d)(1).

Also, in response to review requests from interested parties, we initiated the review for Hebei Husqvarna-Jikai Diamond Tools Co., Ltd., which was a party to a changed-circumstances review.[14] As a result of that changed-circumstances review, we determined that Husqvarna (Hebei) Co., Ltd. is the successor-in-interest to Hebei Husqvarna-Jikai Diamond Tools Co., Ltd.[15] Because the review requests covered a company that we, in a changed circumstances review, determined no longer exists, we are rescinding the review with respect to Hebei Husqvarna-Jikai Diamond Tools Co., Ltd.

PRELIMINARY DETERMINATION OF NO SHIPMENTS

Qingdao Shinhan Diamond Industrial Co., Ltd.(Qingdao Shinhan), which received separate rates in previous segments of the proceeding and is subject to this review, reported that it did not have any exports of subject merchandise during the POR.[16] CBP data for the POR corroborated Qingdao Shinhan's no-shipment claim.[17] Additionally, we requested that CBP report any contrary information.[18] To date, CBP has not responded to our inquiry with any contrary information and we have not received any evidence that this company had any shipments of the subject merchandise sold to the United States during the POR.[19] Consistent with the Department's refinement to its assessment practice in non-market economy (NME) cases regarding no shipment claims, we are completing the review with respect to this company and will issue appropriate instructions to CBP based on the final results of the review.[20]

[13] *See* Husqvarna (Hebei) Co., Ltd.'s withdrawal of review request dated March 4, 2014.
[14] *See Diamond Sawblades and Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Changed Circumstances Review*, 78 FR 48414 (August 8, 2013).
[15] *Id*.
[16] *See* Qingdao Shinhan's no shipment letter dated February 28, 2014.
[17] *See* the CBP data attached to the letter to all interested parties dated January 24, 2014.
[18] *See* CBP message number 4261305 dated September 18, 2014.
[19] CBP only responds to the Department's inquiry when there are records of shipments from the company in question. *See, e.g., Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Flat Products From Brazil: Notice of Rescission of Antidumping Duty Administrative Review*, 75 FR 65453, 65454 (October 25,2010).
[20] *See Non-Market Economy Antidumping Proceedings: Assessment of Antidumping Duties*, 76 FR 65694 (October 24, 2011) and the "Assessment Rates" section below.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country Status

The Department considers the PRC to be an NME country. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority.[21] None of the parties to this proceeding has contested NME treatment for the PRC. Therefore, for the preliminary results of this review, we treated the PRC as an NME country and applied our current NME methodology in accordance with section 773(c) of the Act.

Separate Rates

There is a rebuttable presumption that all companies within the PRC are subject to government control and, thus, should be assessed a single antidumping duty rate.[22] In the *Initiation Notice*, we notified parties of the application process by which exporters and producers may obtain separate rate status in NME proceedings.[23] It is our policy to assign all exporters of the merchandise subject to review in NME countries a single rate unless an exporter can affirmatively demonstrate an absence of government control, both in law (*de jure*) and in fact (*de facto*), with respect to exports. To establish whether a company is sufficiently independent to be entitled to a separate, company-specific rate, we analyze each exporting entity in an NME country under the test established in *Sparklers*,[24] as amplified by *Silicon Carbide*.[25] However, if we determine that a company is wholly foreign-owned or located in a market economy (ME), then a separate rate analysis is not necessary to determine whether it is independent from government control.[26]

In this administrative review, 24 companies submitted separate rate information. The remaining companies under review did not provide either a separate rate application (SRA) or separate rate certification (SRC), as applicable. Therefore, we preliminarily determine that there were exports of merchandise under review from PRC exporters that did not demonstrate their eligibility for separate rate status. As a result, we are treating these PRC exporters as part of the PRC-wide entity.[27]

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[21] *See Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the 2004/2005 Administrative Review and Preliminary Notice of Intent To Rescind the 2004/2005 New Shipper Review*, 71 FR 26736 (May 8, 2006), unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of Rescission of 2004/2005 New Shipper Review*, 71 FR 66304 (November 14, 2006).

[22] *See 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, 53082 (September 8, 2006); *LTFV Final*, 71 FR at 29307.

[23] *See Initiation Notice*, 78 FR at 79393.

[24] *See Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China*, 56 FR 20588 (May 6, 1991) (*Sparklers*).

[25] *See Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide From the People's Republic of China*, 59 FR 22585, 22586-89 (May 2, 1994) (*Silicon Carbide*).

[26] *See, e.g., Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles From the People's Republic of China*, 72 FR 52355, 52356 (September 13, 2007).

[27] *See* the PRC-Wide Entity section, *infra*.

Separate Rate Respondents

1) Wholly Foreign-Owned

Weihai, which was selected for individual examination, reported that it is wholly-owned by a ME company located in a ME country. Therefore, a separate rates analysis is not necessary to determine whether its export activities are independent from government control.[28] Accordingly, we preliminarily granted separate rate status to Weihai.

2) Joint Ventures Between Chinese and Foreign Companies or Wholly Chinese-Owned Companies

The following respondents seeking a separate rate stated that they are either joint ventures between Chinese and foreign companies or are wholly Chinese-owned companies:

ATM Single Entity[29]
Bosun Tools Co., Ltd.
Chengdu Huifeng Diamond Tools Co., Ltd.
Danyang City Ou Di Ma Tools Co., Ltd.
Danyang NYCL Tools Manufacturing Co., Ltd.
Danyang Tsunda Diamond Tools Co., Ltd.
Danyang Weiwang Tools Manufacturing Co., Ltd.
Guilin Tebon Superhard Material Co., Ltd.
Hangzhou Deer King Industrial and Trading Co., Ltd.
Hangzhou Kingburg Import & Export Co., Ltd.
Huzhou Gu's Import & Export Co., Ltd.[30]
Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.

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[28] *See, e.g., Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles From the People's Republic of China,* 72 FR 52355, 52356 (September 13, 2007); *see also Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the Fourth New Shipper Review and Rescission of the Third Antidumping Duty Administrative Review*, 66 FR 1303, 1306 (January 8, 2001), unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of Fourth New Shipper Review and Rescission of Third Antidumping Duty Administrative Review,* 66 FR 27063 (May 16, 2001); *Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate From the People's Republic of China*, 64 FR 71104 (December 20, 1999).

[29] ATM Single Entity includes Advanced Technology & Materials Co., Ltd., Beijing Gang Yan Diamond Products Co., Yichang HXF Circular Saw Industrial Co., Ltd. (currently HXF Saw Co., Ltd.) (HXF), Cliff (Tianjin) International Ltd (Cliff), and AT&M International Trading Co., Ltd. Cliff also used the company name Cliff International Ltd. *See Diamond Sawblades and Parts Thereof From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 77098, 77099, n.4 (December 20, 2013) (*3rd Review Prelim*), and the accompanying Preliminary Decision Memorandum at 5, n.24, unchanged in *Diamond Sawblades and Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 35723 (June 24, 2014) (*3rd Review Final*) (collectively *3rd Review*) for HXF's name change and Cliff's use of another company name. In the last completed review, we treated these companies as a single entity. *See 3rd Review Prelim*, 78 FR at 77099, unchanged in *3rd Review Final*. In this review, we have no new information to demonstrate otherwise.

[30] Huzhou Gu's Import & Export Co., Ltd., uses the name Huzhou Gu's Imp. & Exp. Co., Ltd., interchangeably. *See 3rd Review Prelim* , 78 FR at 77100 n.14 unchanged in *3rd Review Final*.

Jiangsu Inter-China Group Corporation
Jiangsu Youhe Tool Manufacturer Co., Ltd.
Pujiang Talent Diamond Tools Co., Ltd.
Qingdao Hyosung Diamond Tools Co., Ltd.
Qingyuan Shangtai Diamond Tools Co., Ltd.
Quanzhou Zhongzhi Diamond Tool Co. Ltd.
Rizhao Hein Saw Co., Ltd.
Saint-Gobain Abrasives (Shanghai) Co., Ltd.
Shanghai Jingquan Ind. Trade Co., Ltd.
Xiamen ZL Diamond Technology Co., Ltd.[31]
Zhejiang Wanli Tools Group Co., Ltd.

In accordance with our practice, we analyzed whether these respondents seeking a separate rate have demonstrated the absence of *de jure* and *de facto* governmental control over their respective export activities.

a) *Absence of* De Jure *Control*

We consider the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies.[32]

The evidence provided by the above-listed companies supports a preliminary finding of *de jure* absence of government control based on the following: (1) an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) there are applicable legislative enactments decentralizing control of the companies; and (3) there are formal measures by the government decentralizing control of the companies.[33]

b) *Absence of* De Facto *Control*

Typically we consider four factors in evaluating whether each respondent is subject to *de facto* government control of its export functions: (1) whether the export prices (EPs) are set by or are subject to the approval of a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses.[34]

[31] Xiamen ZL Diamond Technology Co., Ltd., stated in its separate rate application that its name before the POR was Xiamen ZL Diamond Tools Co., Ltd., for which we initiated this review in *Initiation Notice*, 78 FR at 79395. *See* Xiamen ZL Diamond Technology Co., Ltd.'s February 26, 2014, separate rate application at 2.
[32] *See Sparklers*, 56 FR at 20589.
[33] *See, e.g.*, *3rd Review Prelim* and the accompanying Preliminary Decision Memorandum at 6-7, unchanged in *3rd Review Final* for the list of the *De Jure* criteria.
[34] *See Silicon Carbide*, 59 FR at 22586-87; *see also Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995).

We determined that an analysis of *de facto* control is critical in determining whether the respondents are, in fact, subject to a degree of government control over export activities which would preclude the Department from assigning separate rates. For each of the above-listed companies, except as discussed in the following paragraph, we determine that the evidence on the record supports a preliminary finding of *de facto* absence of government control based on record statements and supporting documentation showing the following: (1) the respondent sets its own EPs independent of the government and without the approval of a government authority; (2) the respondent has the authority to negotiate and sign contracts and other agreements; (3) the respondent has autonomy from the government regarding the selection of management; and (4) the respondent retains the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses.[35]

Ownership is relevant to the separate rates analysis to the extent that ownership, as well as the degree of ownership, affects a company's *de facto* control. In the last completed review, we denied a separate rate to ATM Single Entity[36] because ATM Single Entity's corporate ownership was similar with no meaningful difference to that as described in the remand redetermination issued on May 6, 2013, in which we denied a separate rate to ATM Single Entity based upon an analysis under the autonomy in selecting management prong of the separate rate test.[37] In this review, the separate rate certification ATM Single Entity provided has not demonstrated any significant differences from the previous review.[38] Therefore, we preliminarily are denying ATM Single Entity a separate rate status and are assigning the PRC-wide rate accordingly.

The evidence placed on the record of this review by all other companies listed above demonstrates an absence of *de jure* and *de facto* government control with respect these companies' exports of the merchandise under review, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Therefore, we are preliminarily granting the above-listed companies, with the exception of ATM Single Entity, a separate rate.

3) Separate Rate for Non-Selected Companies

In accordance with section 777A(c)(2)(B) of the Act, we selected Bosun and Weihai for individual examination because we did not have the resources to examine all companies for which a review was requested.[39]

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[35] *See, e.g., 3rd Review Prelim* and the accompanying Preliminary Decision Memorandum at 7, unchanged in *3rd Review Final* for the list of the *De Facto* criteria.
[36] *See 3rd Review Final*, 79 FR at 35724, n.7, and the accompanying I&D Memo at Comment 1.
[37] *See* Final Results of Redetermination Pursuant to Remand Order for Diamond Sawblades and Parts Thereof from the People's Republic of China (May 6, 2013) in *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 885 F. Supp. 2d 1343 (CIT 2012); *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 938 F. Supp. 2d 1342 (CIT 2013) *aff'd by Advanced Technology & Materials Co., Ltd., et al. v. United States*, 2014 U.S. App. LEXIS 20800, Court No. 2014-1154 (Fed. Cir. October 24, 2014). This remand redetermination is on the Enforcement and Compliance website at http://enforcement.trade.gov/remands/12-147.pdf. *See also* footnote 29, *supra*, for the names of the companies comprising ATM Single Entity.
[38] *See* ATM Single Entity's separate rate certification dated February 28, 2014.
[39] *See* Respondent Selection Memorandum.

The statute and the Department's regulations do not address the establishment of a rate to be applied to individual companies not selected for examination when the Department limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, we have used section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for respondents we did not examine in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference that we do not calculate an all-others rate using any zero or *de minimis* margins or any margins based entirely on facts available. Accordingly, our usual practice has been to average the rates for the selected companies, excluding zero, *de minimis*, and rates based entirely on facts available.[40]

In these preliminary results we found non-*de minimis* weighted-average margins for Bosun and Weihai. Rates of these two companies are applicable to companies not selected for individual examination and eligible for a separate rate. For non-selected respondent's eligible for a separate rate, we cannot apply our normal methodology of calculating a weighted-average margin using the actual net U.S. sales values and antidumping duty amounts of Bosun and Weihai because doing so could indirectly disclose business-proprietary information to both of these companies. Alternatively, we have previously applied the simple average of the margins we determined for the selected companies.[41] In order to strike a balance between our duty to safeguard parties' business-proprietary information and our attempt to adhere to the guidance set forth in section 735(c)(5)(A) of the Act, we calculated a weighted-average margin for non-selected respondents using the publicly available, ranged total U.S. sales values of the selected respondents, compared the resulting public, weighted-average margin to the simple average of the antidumping duty margins, and used the amount which is closer to the actual weighted-average margin of the selected respondents as the margin for the non-selected respondents.[42] Accordingly, for the preliminary results of this review, we are assigning the weighted average of these two companies based on their ranged U.S. sales values[43] and dumping margins. The separate rate for the eligible non-selected respondents is 7.87 percent. In assigning this separate rate, we did not impute the actions of any other companies to the behavior of the companies not individually examined but based this determination on record evidence that may be deemed reasonably reflective of the potential dumping margin for the companies not selected for individual examination and eligible for a separate rate in this administrative review.

4) PRC-Wide Entity

In the *Initiation Notice*, we stated that if one of the companies for which this review was initiated "does not qualify for a separate rate, all other exporters of Diamond Sawblades and Parts Thereof from the PRC who have not qualified for a separate rate are deemed to be covered by this review

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[40] *See, e.g., Multilayered Wood Flooring From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 76 FR 64318 (October 18, 2011), and the accompanying I&D Memo at Comment 11.
[41] *See, e.g., Ball Bearings and Parts Thereof From France, et al.: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008).
[42] *See Ball Bearings and Parts Thereof From France, et al.: Final Results of Antidumping Duty Administrative Reviews, Final Results of Changed-Circumstances Review, and Revocation of an Order in Part*, 75 FR 53661, 53662 (September 1, 2010), and the accompanying I&D Memo at Comment 1.
[43] *See* Bosun's section A response dated May 6, 2014, at Exhibit A-1, and Weihai's supplemental response dated August 26, 2014, at Exhibit SA-1.

as part of the single PRC entity of which the named exporters are a part."[44] As explained above, we limited the number of companies individually reviewed. Non-selected companies were able to avail themselves of the SRA and the SRC, which were posted on the Enforcement and Compliance's website at http://enforcement.trade.gov/nme/nme-sep-rate.html.[45]

When parties for which a review was initiated do not apply for separate rate status in that review, the PRC-wide entity is considered to be part of that review.[46] In the instant review, 28 companies did not submit either SRAs or SRCs as required.[47] Also, we preliminarily find that ATM Single Entity, which includes five affiliated companies, is not eligible for a separate rate. As such, we have preliminarily determined that these 33 companies have not demonstrated their eligibility for a separate rate and are properly considered part of the PRC-wide entity.[48] For the PRC-wide entity, we continue to use the PRC-wide rate of 164.09 percent determined in the original investigation.

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[44] *See Initiation Notice*, 78 FR at 79398, footnote 6.

[45] *Id.*, 78 FR at 79393.

[46] *See, e.g.*, *Honey From the People's Republic of China: Preliminary Results of Review*, 77 FR 46699, 46700 (August 6, 2012), unchanged in *Administrative Review of Honey From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 77 FR 70417 (November 26, 2012). On November 4, 2013, the Department announced a change in practice with regards to conditional review of non-market economy entities for all antidumping administrative reviews for which the notice of opportunity to request an administrative review is published on or after December 4, 2013. *See Antidumping Duty Proceedings: Announcement of Change in Department Practice for Respondent Selection in Antidumping Duty Proceedings and Conditional Review of the Nonmarket Economy Entity in NME Antidumping Proceedings*, 78 FR 65963 (November 4, 2013). The opportunity to request this review was published on November 1, 2013; therefore, the changes to the Department's practice are not applicable to the review. *See Opportunity Notice.*

[47] Because Danyang Huachang Diamond Tools Manufacturing Co., Ltd., Shanghai Starcraft Tools Company Limited, and Wuhan Wanbang Laser Diamond Tools Co. did not file their SRAs in a timely manner, we rejected their SRAs. *See* the rejection letter to these three respondents dated August 6, 2014, and the letter to these three respondents dated September 2, 2014, in which we denied their requests for reconsideration of the rejected SRAs.

[48] The PRC-wide entity includes the following companies: ATM Single Entity, Central Iron and Steel Research Institute Group, China Iron and Steel Research Institute Group, Danyang Aurui Hardware Products Co., Ltd., Danyang Dida Diamond Tools Manufacturing Co., Ltd., Danyang Huachang Diamond Tools Manufacturing Co., Ltd., Electrolux Construction Products (Xiamen) Co. Ltd., Fujian Quanzhou Wanlong Stone Co., Ltd., Hebei Jikai Industrial Group Co., Ltd., Huachang Diamond Tools Manufacturing Co., Ltd., Hua Da Superabrasive Tools Technology Co., Ltd., Jiangsu Fengyu Tools Co., Ltd., Jiangyin Likn Industry Co., Ltd., Protech Diamond Tools, Quanzhou Shuangyang Diamond Tools Co., Ltd., Quanzhou Zongzhi Diamond Tool Co. Ltd., Shanghai Deda Industry & Trading Co., Ltd., Shanghai Robtol Tool Manufacturing Co., Ltd. Shanghai Starcraft Tools Company Limited, Shijiazhuang Global New Century Tools Co., Ltd., Sichuan Huili Tools Co., Task Tools & Abrasives, Wanli Tools Group, Wuhan Wanbang Laser Diamond Tools Co., Wuxi Lianhua Superhard Material Tools Co., Ltd., Zhejiang Tea Import & Export Co., Ltd., Zhejiang Wanda Import and Export Co., Zhejiang Wanda Tools Group Corp., and Zhejiang Wanli Super-hard Materials Co., Ltd.

Surrogate Country

In antidumping proceedings involving NME countries, pursuant to section 773(c)(1) of the Act, we generally base NV on the value of the NME producer's FOP. In accordance with section 773(c)(4) of the Act, in valuing the FOPs, we use, to the extent possible, the prices or costs of FOPs in one or more ME countries that are: (1) at a level of economic development comparable to that of the NME country; and (2) significant producers of comparable merchandise.[49]

We determined that Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand are countries whose *per capita* gross national incomes (GNI) are at the same level of economic development as the PRC.[50] On February 7, 2014, we requested comments from interested parties regarding the selection of a surrogate country and surrogate values (SVs).[51] We received comments recommending Thailand as the primary surrogate country from the petitioner[52] and Weihai.[53]

Same Level of Economic Development

As a general rule, the Department selects a surrogate country that is at the same level of economic development as the NME unless it is determined that none of the countries are viable options because (a) they either are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available SV data, or (c) are not suitable for use based on other reasons. Surrogate countries that are not at the same level of economic development as the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development.[54]

As stated above, we determined that Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand are each at the same level of economic development as the PRC in terms of *per capita* GNI during the POR.[55] Therefore, we consider all six countries as having met this prong of the surrogate country selection criteria.

Producers of Identical or Comparable Merchandise

Section 773(c)(4)(B) of the Act requires the Department to value FOPs in a surrogate country that is a significant producer of comparable merchandise. Neither the statute nor the Department's regulations provide further guidance on what may be considered comparable merchandise. Given the absence of any definition in the statute or regulations, we look to other

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[49] *See* Enforcement and Compliance Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (Policy Bulletin) available at http://enforcement.trade.gov/policy/index.html.
[50] *See* the memorandum entitled "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Diamond Sawblades ('DS') from the People's Republic of China ('China')" dated February 6, 2014 (Policy Memorandum).
[51] *See* the letter to all interested parties dated February 7, 2014.
[52] *See* the petitioner's surrogate country comments dated February 14, 2014.
[53] *See* Weihai's surrogate country comments dated May 6, 2014.
[54] *See* Policy Memorandum.
[55] *Id.*

sources such as the Enforcement and Compliance Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (Policy Bulletin 04.1), for guidance on defining comparable merchandise. The Policy Bulletin states that "in all cases, if identical merchandise is produced, the country qualifies as a producer of comparable merchandise."[56] If identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.[57] Further, when selecting a surrogate country, the statute requires us to consider the comparability of the merchandise, not the comparability of the industry.[58]

The statute grants us discretion to examine various data sources for determining the best available information.[59] Moreover, while the legislative history provides that the term "significant producer" includes any country that is a significant "net exporter,"[60] it does not preclude reliance on additional or alternative metrics. In this review, because production data of comparable merchandise are not available, we first analyzed exports of comparable merchandise from the six potential surrogate countries as a proxy for production data. In this review, we preliminarily determine that merchandise described under HTS code 8202.39 ("Circular Saw Blades Of Base Metal With Working Part Of Material Other Than Steel, And Parts") is identical or comparable to the merchandise covered by this review. Because world production data was not available, we analyzed exports under HTS code 8202.39. This analysis shows that Thailand exported significant quantities of diamond sawblades during the POR under HTS code 8202.39.[61] Next we considered the availability of SV data.

Data Considerations

When evaluating SV data, we consider several factors including whether the SV is publicly available, contemporaneous with the POR, representative of a broad-market average, from an approved surrogate country, tax- and duty-exclusive, and specific to the input.[62] There is no hierarchy among these criteria. It is our practice to carefully consider the available evidence in light of the particular facts of each industry when undertaking its analysis of valuing the FOPs.[63]

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[56] *See* Policy Bulletin 04.1, which is on the Enforcement and Compliance website at http://enforcement.trade.gov/policy/bull04-1.html.

[57] The Policy Bulletin also states that "if considering a producer of identical merchandise leads to data difficulties, the operations team may consider countries that produce a broader category of reasonably comparable merchandise," at note 6.

[58] *See Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674 (December 15, 1997), and the accompanying I&D Memo at Comment 1 (to impose a requirement that merchandise must be produced by the same process and share the same end uses to be considered comparable would be contrary to the intent of the statute).

[59] *See* section 773(c) of the Act; *see also Nation Ford Chem. Co. v. United States*, 166 F.3d 1373, 1377 (Fed. Cir. 1990).

[60] *See* Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988).

[61] *See* the memorandum entitled "Diamond Sawblades and Parts Thereof from the People's Republic of China: Surrogate Value for the Preliminary Results of Review" dated concurrently with this Preliminary Decision Memorandum (Preliminary SV Memo), at Exhibit 1 for the GTA export quantity data.

[62] *See* Policy Bulletin 04.1.

[63] *Id.; see also, e.g., Certain Steel Threaded Rod From the People's Republic of China; Final Results of Third Antidumping Duty Administrative Review; 2011-2012*, 78 FR 66330 (November 5, 2013), and the accompanying I&D Memo at 7.

For Thailand, we are able to obtain the required SVs for direct materials, packing materials, byproducts, and certain energy inputs from GTA import data.[64] Labor data for Thailand are available from the National Statistical Office of the Thai government (NSO) and is industry specific.[65] Publicly available data from Thailand provide for a calculation of inland truck freight and domestic brokerage and handling (B&H). Therefore, for these preliminary results we selected Thailand as the primary surrogate country for valuing FOPs. While our preference is to value factors in a single surrogate country when possible, our decision necessarily is guided by considering the best available information on the record.[66]

There are no useable financial statements on the record for Thailand or for the other countries the Department listed as being at the PRC's same level of economic development. There is, however, a set of financial statements from a Philippine producer of comparable merchandise (*i.e.*, a producer of cemented carbide tipped circular saws classified under HTS code 8202.39) on the record that provides sufficient details to calculate the financial ratios[67] required to calculate NV. This set of financial statements is also contemporaneous with the POR (fiscal year ending August 31, 2013).[68] In this review, the Philippines is not one of the six potential surrogate countries and we have selected Thailand as the primary surrogate country. However, the Philippine financial statements are the only usable statements on the record. We have relied on this publicly available set of financial statements as the best available information for the calculation of surrogate financial ratios for these preliminary results.

FAIR VALUE COMPARISONS

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), we calculate individual dumping margins by comparing weighted-average NVs to weighted-average EPs or Constructed Export Prices (CEPs) (the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping duty investigations, we examine whether to compare weighted-average NVs to the EPs or CEPs of individual transactions (the average-to-transaction (A-T) method) as an alternative comparison method using an analysis consistent with section 777A(d)(l)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of administrative reviews, we find that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping duty investigations.[69] In the last completed review of this order, we applied a "differential pricing" analysis to determine whether application of A-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.[70] We find the differential pricing analysis may

[64] *See* Preliminary SV Memo at Exhibit 2.
[65] *Id. See also* Weihai's SV comments dated June 25, 2014, at Exhibit 6.
[66] *See High Pressure Steel Cylinders From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 77 FR 26739 (May 7, 2012), and the accompanying I&D Memo at Comments I and II.
[67] These ratios are factory overhead, selling, general, and administrative expenses, and profits.
[68] *See* Weihai's SV comments dated November 3, 2014, at Exhibit 8.
[69] *See Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010-2011*, 77 FR 73415 (December 10, 2012).
[70] *See 3rd Review Prelim* and the accompanying Preliminary Decision Memorandum at 14, unchanged in *3rd Review*

be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. We will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer code. Regions are defined using the reported destination code (*e.g.*, zip codes or cities) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that we use in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen's *d* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen's *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region, or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen's *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the "ratio test" – the second stage of the analysis – assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the A-T method to all sales as an alternative to the A-A method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the

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Final.

results support consideration of the application of an A-T method to those sales identified as passing the Cohen's *d* test as an alternative to the A-A method, and application of the A-A method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the A-A method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the A-A method can appropriately account for such differences. In considering this question, we test whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the A-A method only. If the difference between the two calculations is meaningful, this demonstrates that the A-A method cannot account for differences such as those observed in this analysis, and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margin between the A-A method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

<u>Results of the Differential Pricing Analysis</u>

For Bosun and Weihai, based on the results of the differential pricing analysis, we find that between 33 percent and 66 percent of their U.S. sales pass the Cohen's *d* test and confirm the existence of a pattern of CEPs and EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods.[71] Moreover, we determine that the A-A method cannot appropriately account for such differences because the resulting weighted-average dumping margins move across the *de minimis* threshold when calculated using the A-A method and an alternative method based on the A-T method applied to the U.S. sales which pass the Cohen's *d* test.[72] Accordingly, we preliminarily used the A-T method for U.S. sales passing the Cohen's *d* test and the A-A method for U.S. sales not passing the Cohen's *d* test to calculate the weighted average dumping margins for Bosun and Weihai.[73]

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[71] *See* the preliminary analysis memoranda for Bosun and Weihai, dated concurrently with this Preliminary Decision Memorandum.
[72] *Id.*
[73] In these preliminary results, we applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012).

U.S. Price

For the price to the United States, we used EP or CEP as defined in sections 772(a) and (b) of the Act, as appropriate.

Export Price Sales

For Weihai, in accordance with section 772(a) of the Act, we calculated EP for a portion of sales to the United States because the first sale to an unaffiliated party was made before the date of importation and the use of CEP was not otherwise warranted. We calculated EP based on the sales price to unaffiliated purchasers in the United States. In accordance with section 772(c)(2)(A) of the Act, as appropriate, we deducted from the sales price expenses for certain foreign inland freight, B&H, and international movement costs. For the inland freight and B&H services provided by an NME vendor or paid for using an NME currency, we based the deduction of these charges on SVs.[74] For international freight provided by an ME provider and paid in U.S. dollars, we used the actual cost per kilogram of the freight.

Constructed Export Price Sales

For some of the U.S. sales Weihai reported and all of the U.S. sales Bosun reported, we based U.S. price on CEP in accordance with section 772(b) of the Act because sales were made on behalf of the PRC-based exporter by a U.S. affiliate to unaffiliated customers in the United States. For these sales, we based CEP on prices to the first unaffiliated purchaser in the United States. Where appropriate, we made deductions from the starting price (gross unit price) for foreign movement expenses, international movement expenses, or U.S. movement expenses in accordance with section 772(c)(2)(A) of the Act. Where foreign movement expenses, international movement expenses, or U.S. movement expenses were provided by PRC service providers or paid in renminbi, the Department valued these services using SVs.[75] For those expenses that were provided by an ME provider and paid for in an ME currency, we used the reported expense.

In accordance with section 772(d)(1) of the Act, we also deducted those selling expenses associated with economic activities occurring in the United States. We deducted, where appropriate, commissions, inventory carrying costs, credit expenses, warranty expenses, and indirect selling expenses. For a detailed description of all adjustments made to U.S. price for each company, *see* the company-specific analysis memoranda dated concurrently with this Preliminary Decision Memorandum due to the proprietary nature of certain adjustments to U.S. price. Finally, we deducted CEP profit from U.S. price in accordance with sections 772(d)(3) and 772(f) of the Act.

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[74] *See* Preliminary SV Memo for details regarding the SVs for movement expenses.
[75] *See* the "Surrogate Value" section, *infra*, for further discussion.

Further Manufactured Sales

On May 19, 2014, Weihai requested that we exempt the company from responding to section E of the antidumping questionnaire.[76] Weihai claimed that the value of the further processing that occurred in the United States substantially exceeded the value of the imported components and, given the small portion of Weihai's further-manufactured products, a full examination of these sales would be unnecessarily burdensome to the Department and Weihai. Weihai also stated that other appropriate bases existed for calculating the CEP of these sales. On May 20, 2014, we provisionally exempted Weihai from reporting a section E response but we explained that Weihai is required to report its sales of further manufactured products to unaffiliated customers in its U.S. sales database.[77] Weihai submitted the requested information in its section C response on June 11, 2014. In our letter to Weihai on further manufactured sales, we stated that, after reviewing Weihai's responses, we may find that Weihai needs to submit a section E response.[78] After reviewing Weihai's responses, we continued to exempt Weihai from submitting a section E response.[79] For business proprietary details on our decision, *see* the Weihai preliminary analysis memorandum dated concurrently with this Preliminary Decision Memorandum.

Revenue Caps

Bosun and Weihai received freight revenues from customers for certain U.S. sales. We treat such revenues as an offset to the specific expenses for which they were intended to compensate.[80] Accordingly, we used their freight revenues as offsets to corresponding freight expenses.

Value Added Tax

In 2012, we announced a change of methodology with respect to the calculation of EP and CEP to include an adjustment of any unrefunded value added tax (VAT) in certain NMEs in accordance with section 772(c)(2)(B) of the Act.[81] Information placed on the record of this review by a respondent demonstrates that the VAT rate during the POR was 17 percent and that there was a VAT rebate rate of nine percent applicable to exports of the merchandise under consideration.[82] In order to calculate a price net of VAT, we adjusted the net price for all respondents for the unrefunded VAT.[83]

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[76] *See* Weihai's section E exemption request dated May 19, 2014.
[77] *See* the Department's May 20, 2014, response to Weihai's section E exemption request.
[78] *Id.*
[79] *See, e.g., 3rd Review Prelim* and the accompanying Preliminary Decision Memorandum at 17, unchanged in *3rd Review Final.*
[80] *Certain Orange Juice from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 73 FR 46584 (August 11, 2008), and the accompanying I&D Memo at Comment 7 and in *Polyethylene Retail Carrier Bags from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 74 FR 6857 (February 11, 2009), and the accompanying I&D Memo at Comment 6.
[81] *See Methodological Change for Implementation of Section 772(c)(2)(B) of the Tariff Act of 1930, as Amended, In Certain Non-Market Economy Antidumping Proceedings*, 77 FR 36481, 36484 (June 19, 2012).
[82] *See* Bosun's section C response dated May 30, 2014, at , 2014, at 41-44 and Exhibits C-5 and C-6, and Weihai's section C response dated June 12, 2014, at 48-50 (filed on June 11, 2014, under one-day lag rule), and Exhibits C-25A, C-25B, and C-26.
[83] *See 3rd Review Final* and the accompanying I&D Memo at Comment 6 for our reasons for deducting irrecoverable

Normal Value

Section 773(c)(1) of the Act provides that we shall determine the NV using an FOP methodology if the merchandise is exported from an NME and the information does not permit the calculation of NV using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. We base NV on the FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies.

Bosun reported certain subject merchandise sold during the POR but not produced during the POR. For such sales, we matched U.S. control numbers with similar FOP control numbers. We identified similar FOP control numbers by finding and matching the first several of identical physical characteristics in the U.S. and FOP control numbers reported. Then we weight-averaged FOP input data for each similar FOP control number we identified.[84]

Factor Valuations

In accordance with section 773(c) of the Act, we calculated NV based on the FOPs reported by interested parties for the POR. We used Thai import data and other publicly available Thai sources in order to calculate SVs for their FOPs. To calculate NV, we multiplied the reported per-unit FOP quantities by publicly available SVs. Our practice when selecting the best available information for valuing FOPs is to select, to the extent practicable, SVs which are product-specific, representative of a broad market average, publicly available, contemporaneous with the POR, and exclusive of taxes and duties.[85]

As appropriate, we adjusted input prices by including freight costs to render them delivered prices. Specifically, we added to Thai import SVs, reported on a Cost, Insurance and Freight (CIF) basis, a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest port facility to the factory where it relied on an import value. This adjustment is in accordance with *Sigma Corp. v. United States*, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, we adjusted SVs for inflation and exchange rates, taxes, and we converted all applicable FOPs to a per-kilogram basis.

Furthermore, with regard to the Thai import-based SVs, we disregarded import prices that we have reason to believe or suspect may be subsidized. We have reason to believe or suspect that prices of inputs from India, Indonesia, and South Korea may have been subsidized because we have found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies.[86] Therefore, it is reasonable to infer that all exports to all markets

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VAT from the U.S. price. *See also* company-specific preliminary analysis memoranda dated concurrently with this Preliminary Decision Memorandum.

[84] *See, e.g., Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Preliminary Partial Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China*, 70 FR 77121, 77132 **(**December 29, 2005), unchanged in *LTFV Final*.

[85] *See, e.g., Electrolytic Manganese Dioxide From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 48195 (August 18, 2008), and the accompanying I&D Memo at Comment 2.

[86] *See, e.g., Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-year (Sunset) Review of*

from these countries may be subsidized.[87] Further, guided by the legislative history, it is our practice not to conduct a formal investigation to ensure that such prices are not subsidized.[88] Rather, we base our decision on information that is available to us at the time we make our determination. Additionally, consistent with our practice, we disregarded prices from NME countries and excluded imports labeled as originating from an "unspecified" country from the average value, because we could not be certain that they were not from either an NME country or a country with general export subsidies.[89] Therefore, we have not used prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

Pursuant to 19 CFR 351.408(c)(1), when a respondent sources inputs that were produced in ME countries by an ME supplier in meaningful quantities (*i.e.*, not insignificant quantities) and pays in an ME currency, we use the actual price paid by the respondent to value those inputs, except when prices may have been distorted by findings of dumping and/or subsidization.[90] Where we find ME purchases to be of significant quantities (*i.e.*, 85 percent or more), we use the actual purchase prices to value the inputs, in accordance with our statement of policy as outlined in *Use of Market Economy Input Prices in Nonmarket Economy Proceedings*, 78 FR 46799 (August 2, 2013). Alternatively, when the volume of an NME firm's purchases of an input from ME suppliers during the period is below 85 percent of its total volume of purchases of the input during the period, but where these purchases are otherwise valid and there is no reason to disregard the prices, we will weight-average the ME purchase price with an appropriate SV, according to their respective shares of the total volume of purchases, unless case-specific facts provide adequate grounds to rebut the presumption.[91] When a firm has made ME input purchases that may have been dumped or subsidized, are not *bona fide*, or are otherwise not acceptable for use in a dumping calculation, we will exclude them from the numerator of the ratio to ensure a fair determination of whether valid ME purchases meet the 85 percent threshold.[92] Weihai reported such inputs and we excluded them from the numerator of the ratio accordingly. Information reported by Weihai demonstrates that certain inputs were sourced from an ME country and paid for in ME currencies.[93] The information reported by Weihai also

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the Countervailing Duty Order, 75 FR 13257 (March 19, 2010), and the accompanying I&D Memo at 4-5; *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Results of Expedited Sunset Review*, 70 FR 45692 (August 8, 2005), and the accompanying I&D Memo at 4; *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 74 FR 2512 (January 15, 2009), and the accompanying I&D Memo at 17, 19-20.

[87] *See Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China*, 69 FR 20594 (April 16, 2004), and the accompanying I&D Memo at Comment 7.

[88] *See* Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988); *see also Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Coated Free Sheet Paper from the People's Republic of China*, 72 FR 30758, 30763 (June 4, 2007), unchanged in *Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China*, 72 FR 60632 (October 25, 2007).

[89] *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Chlorinated Isocyanurates From the People's Republic of China*, 69 FR 75294, 75300 (December 16, 2004), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People's Republic of China*, 70 FR 24502 (May 10, 2005).

[90] *See, e.g., Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27366 (May 19, 1997).

[91] *Id.*

[92] *Id.*

[93] Because the discussion of ME inputs contains business proprietary information, *see* the Weihai preliminary

demonstrates that some of such inputs were purchased in significant quantities (*i.e.*, 85 percent or more) from ME suppliers and produced in ME countries; hence, we used Weihai's actual ME purchase prices to value such inputs.[94]

We used Thai Import Statistics from the GTA to value the raw material, certain energy inputs, and packing material inputs that Bosun and Weihai used to produce subject merchandise during the POR, except where listed below.

To value electricity, we used the 2011 retail pricing data from the Thai Metropolitan Electricity Authority (MEA). We ensured that the SV includes all applicable portions of the electricity tariff in Thailand and that the SV is tax and duty exclusive.[95]

To value the freight-in cost of raw materials, we relied on the World Bank Group's *Doing Business Thailand 2014* (*Doing Business*) and applicable distances found in Google Maps at http://maps.google.com.[96] The value for truck freight in *Doing Business* is publicly available and contemporaneous with the POR because the data in *Doing Business* are current as of June 1, 2013, which is within the POR.[97]

To value B&H, we used the information in *Doing Business*.[98] This source provides a price list based on a survey case study of the procedural requirements necessary to export a standardized cargo of goods by ocean transit from Thailand. We calculated the cost per kilogram by dividing the World Bank's average B&H expense by the maximum payload weight of a 20-foot container according to www.freightgate.com.[99] Because data reported in this source were current as of June 1, 2013, and, thus contemporaneous with the POR, we did not inflate the SV for domestic B&H expenses.

To value the ocean-freight expense for the subject merchandise from the port of export to the U.S. port of disembarkation, we used publicly available data collected from http://rates.descartes.com.[100] We obtained historical freight rates (from multiple ME freight providers) in effect during the fifteenth day of each second month for each quarter of the POR for shipments of saws and blades for each combination of port of origin/discharge reported by Bosun in this review. We averaged the rates to obtain a single POR-average freight rate.

We valued international air freight using a rate obtained from DHL Hong Kong.[101] We valued marine insurance using a price quote retrieved from RJG Consultants, online at

analysis memorandum dated concurrently with this Preliminary Decision Memorandum.

[94] *Id.*

[95] *See Sodium Hexametaphosphate From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 77 FR 59375 (September 27, 2012), and the accompanying I&D Memo at Comment II.

[96] *See* Preliminary SV Memo at 17 and Exhibits 4 and 5.

[97] *Id.*, at Exhibit 4, page 4.

[98] *Id.*, at 18 and Exhibit 4.

[99] *Id.*, at 18 and Exhibit 6.

[100] *See* the Bosun preliminary analysis memorandum at Exhibit 1 for the data collected from this website.

[101] *See* Preliminary SV Memo at 18 and Exhibit 7.

www.rjgconsultants.com, an ME provider of marine insurance.[102] We did not inflate this rate because it is contemporaneous with the POR.[103]

In NME antidumping duty proceedings, the Department prefers to value labor solely based on data from the primary surrogate country.[104] To value labor cost we calculated an hourly labor rate using industry-specific data for the primary surrogate country, Thailand.[105] The data were provided by the NSO and is specific to the manufacture of saws and sawblades.[106] We used the Thailand Consumer Price Index to inflate the value of labor to the POR because NSO data were available for 2006.[107]

There are no appropriate HTS codes or other data source that we can rely on to value cores directly.[108] Because of this unique circumstance, we valued cores Bosun and Weihai purchased from unaffiliated NME suppliers by adding the SVs for steel, labor, and electricity that they used to produce cores themselves to approximate the value of cores that they purchased.[109] For cores Weihai purchased from NME suppliers, we first averaged the steel quantity, labor hours, and electricity Weihai used to produce its cores. Then we applied the SVs for steel, labor, and electricity to the averaged steel quantity, labor hours, and electricity consumption respectively to calculate the SV for each of the three underlying inputs (*i.e.* steel, labor, and electricity) for purposes of valuing Weihai's purchased cores. Then we added these three SVs to calculate the SV for Weihai's purchased cores. We applied this SV to the purchased core in Weihai's FOP database. We valued cores Bosun purchased using the same underlying inputs (*i.e.*, steel, labor, and electricity) that it used to produce its cores but, because Bosun provided the underlying inputs data for its purchased cores based on its self-produced cores that are similar to its purchased cores,[110] we did not average the underlying data for inputs like we did for Weihai. For the valuation of purchased cores, we used Thai Import Statistics from the GTA to value steel but we used the NSO data for labor and the MEA data for electricity, as explained above.

To value factory overhead, selling, general and administrative expenses, and profit, we used the 2013 financial statements from Trigger, a manufacturer of comparable merchandise in the Philippines. The Trigger financial statements are the only financial statements on the record of this review that are useable.

[102] *Id.*, at 19. *See also* Weihai's SV comments dated June 25, 2014, at Exhibit 10.
[103] *Id.*, at Exhibit 2, "Surrogate Value" tab, and Exhibit 7. *See also* Weihai's SV comments dated June 25, 2014, at Exhibit 10.
[104] *See Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing The Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) (*Labor Methodologies*).
[105] *See* Weihai's SV comments dated June 25, 2014, at Exhibit 6.
[106] *Id.*
[107] *See* Preliminary SV Memo at Exhibit 2, "Surrogate Value" and "CPI" tabs.
[108] *See* the petitioner's letter dated September 24, 2014, in which the petitioner requested that we value cores using the GTA statistics for HTS subheading 8202.31.10000. We did not use this HTS subheading to value cores. We explained more in detail our reason for not using this HTS subheading in the Preliminary SV Memo.
[109] *See* Bosun's section D response dated May 30, 2014, at 12, and the Weihai preliminary analysis memorandum at 5. The CIT has recognized the Department's practice in some cases of assigning SVs to the FOPs going into the production of an intermediate input to value the intermediate input. *See Anshan Iron & Steel Co. v. United States*, 27 CIT 1234, 1238-41 (2003).
[110] *See* Bosun's section D response dated May 30, 2014, at 12.

CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A(a) of the Act based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. These exchange rates are available on the Enforcement and Compliance's website at http://enforcement.trade.gov/exchange/index.html.

RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

✓
_____________ _____________
Agree Disagree

Ronald K. Lorentzen
____
Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

November 26, 2014
____
(Date)