A-570-898
POR: 06/01/2015-05/31/2016
Public Document
E&C/OVII: SC

June 30, 2017

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

FROM: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the 2015-2016 Antidumping Duty Administrative Review: Chlorinated Isocyanurates from the People's Republic of China

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SUMMARY

In response to requests from interested parties, the Department of Commerce (Department) is conducting an administrative review of the antidumping duty (AD) order on chlorinated isocyanurates (chlorinated isos) from the People's Republic of China (PRC) covering the period of review (POR) of June 1, 2015, through May 31, 2016. This review covers three producers/exporters: 1) Heze Huayi Chemical Co. Ltd. (Heze Huayi); 2) Hebei Jiheng Chemical Co. Ltd.(Jiheng); and 3) Juancheng Kangtai Chemical Co. Ltd. (Kangtai). The Department preliminarily determines that Heze Huayi and Kangtai made sales in the United States at prices below normal value (NV). In the instant review, because Jiheng failed to respond to the Department's questionnaire even though it timely submitted a separate rate certification, we preliminarily determine that Jiheng is part of the PRC-wide entity. The detail of this finding is explained in the "Discussion of the Methodology" section, below.

If these preliminary results are adopted in our final results of review, the Department will instruct U.S. Customs and Border Protection (CBP) to assess duties on all appropriate entries of subject merchandise during the POR. The rates assigned to each of these companies can be found in the "Preliminary Results of Review" section of the accompanying *Federal Register* notice.

Interested parties are invited to comment on these preliminary results. We intend to issue final results, which will include the results of verification and our analysis of all issues raised in the case briefs, no later than 120 days from the date of publication of this notice, unless extended, pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act).

BACKGROUND

On August 11, 2016, the Department initiated the administrative review of the AD order on chlorinated isos from the PRC covering the period June 1, 2015, through May 31, 2016.[1] Between September 9 and September 12, 2016, Heze Huayi, Jiheng, and Kangtai each submitted a separate rate certification.[2]

On October 26, 2016, the Department issued its AD questionnaire to Heze Huayi, Jiheng, and Kangtai, to which only Heze Huayi and Kangtai responded in a timely manner to the Department's Section A questionnaire on November 16, 2016; and, to the Department's Section C & D questionnaire on December 12, 2016. Jiheng did not respond to the Department's questionnaire. On November 7, 2016, the Department issued its double remedy questionnaire to Heze Huayi, Jiheng, and Kangtai, to which only Heze Huayi and Kangtai responded in a timely manner on November 28, 2016. Between March 3 and March 22, 2017, the Department issued supplemental questionnaires to Heze Huayi and Kangtai, to which both companies responded in a timely manner on March 20, 2017 and April 14, 2017, respectively. On March 9, 2017, Bio-Lab, Inc., Clearon Corporation, and Occidental Chemical Corporation (the petitioners), submitted comments regarding Kangtai's section A, C, and D questionnaire responses.

On October 31, 2016, the Department placed the Surrogate Country List on the record and solicited interested party comments regarding the selection of the surrogate country and offered an opportunity to provide surrogate value (SV) data.[3] A verification request was submitted by the petitioners on November 21, 2016, to verify Kangtai's questionnaire responses in accordance with section 351.307(b)(1)(v), because Kangtai was not verified in the two preceding administrative reviews.[4] The petitioners, Heze Huayi, and Kangtai placed information on the record and provided argument regarding the selection of the surrogate country and SVs between December 2, 2016, and May 10, 2017.

The Department extended the time limit for the preliminary results from March 2, 2017, until May 31, 2017 on January 30, 2017.[5] This deadline was fully extended by the Department until June 30, 2017 on May 19, 2017.[6]

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[1] *See Initiation of Antidumping and Countervailing Duty Administrative Reviews,* 81 FR 53121 (August 11, 2016) (*Initiation Notice*).

[2] *See* Letter from Heze Huayi, "Chlorinated Isocyanurates from the People's Republic of China: Separate Rate Certification," dated September 9, 2016 (Heze Huayi SRC); Letter from Kangtai, "Chlorinated Isocyanurates from the People's Republic of China: Separate Rate Certification," dated September 12, 2016 (Kangtai SRC); Letter from Jiheng, "Chlorinated Isocyanurates from the People's Republic of China: Separate Rate Certification," dated September 12, 2016 (Jiheng SRC) (collectively, Separate Rate Certifications).

[3] *See* Department Letters re: 2015-2016 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People's Republic of China: Request for Economic Development, Surrogate Country and Surrogate Value Comments and Information, dated October 31, 2016 (Request for Surrogate Country and Value Comments), at Attachment I.

[4] *See* Letter from the petitioners, "Request for Verification," dated November 21, 2016.

[5] *See* Memorandum, "Chlorinated Isocyanurates from the People's Republic of China: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated January 30, 2017.

[6] *See* Memorandum, "Chlorinated Isocyanurates from the People's Republic of China: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated May 19, 2017.

SCOPE OF THE ORDER

The products covered by the order are chlorinated isocyanurates (chlorinated isos), which are derivatives of cyanuric acid, described as chlorinated s-triazine triones. There are three primary chemical compositions of chlorinated isos: (1) trichloroisocyanuric acid ($Cl_3(NCO)_3$), (2) sodium dichloroisocyanurate (dihydrate) ($NaCl_2(NCO)_3(2H_2O)$), and (3) sodium dichloroisocyanurate (anhydrous) ($NaCl_2(NCO)_3$). Chlorinated isos are available in powder, granular, and tableted forms. The order covers all chlorinated isos. Chlorinated isos are currently classifiable under subheadings 2933.69.6015, 2933.69.6021, 2933.69.6050, 3808.40.50, 3808.50.40 and 3808.94.50.00 of the Harmonized Tariff Schedule of the United States (HTSUS). The tariff classification 2933.69.6015 covers sodium dichloroisocyanurates (anhydrous and dihydrate forms) and trichloroisocyanuric acid. The tariff classifications 2933.69.6021 and 2933.69.6050 represent basket categories that include chlorinated isos and other compounds including an unfused triazine ring. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country Status

In every AD case conducted by the Department involving the PRC, the PRC has been treated as a non-market economy (NME) country.[7] 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. No party has argued to change, or submitted evidence on the record calling into question, this determination.[8] Therefore, the Department continues to treat the PRC as an NME country for purposes of these preliminary results. Accordingly, the Department calculated NV in accordance with section 773(c) of the Act, which applies to NME countries.

Separate Rates

In proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the PRC are subject to government control and, thus, should be assessed a single AD rate.[9] It is the Department's standard 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

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[7] *See, e.g., Fresh Garlic from the People's Republic of China: Preliminary Results of the 2009–2010 Antidumping Duty Administrative Review*, 76 FR 76375 (December 7, 2011), unchanged in *Fresh Garlic from the People's Republic of China: Final Results of the 2009–2010 Administrative Review of the Antidumping Duty Order*, 77 FR 34346 (June 11, 2012).

[8] In a separate proceeding, the Department is currently examining whether the PRC should continue to be treated as an NME under the antidumping and countervailing duty laws. *See Certain Aluminum Foil from the People's Republic of China: Notice of Initiation of Inquiry Into the Status of the People's Republic of China as a Nonmarket Economy Country Under the Antidumping and Countervailing Duty Laws*, 82 FR 16162 (April 3, 2017).

[9] *See, e.g., Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 75 FR 24892, 24899 (May 6, 2010), unchanged in *Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 75 FR 59217 (September 27, 2010).

respect to its exports. To establish whether a company is sufficiently independent to be eligible for a separate, company-specific rate, the Department analyzes each exporting entity in an NME country under the test established in *Sparklers*[10] and further clarified in *Silicon Carbide*.[11] However, if the Department determines that a company is wholly foreign-owned or located in a market economy (ME) country, then a separate-rate analysis is not necessary to determine whether it is independent from government control.

In order to demonstrate separate rate status eligibility, the Department normally requires entities, for whom a review was requested, and who were assigned a separate rate in a previous segment of this proceeding, to submit a separate-rate certification stating that they continue to meet the criteria for obtaining a separate rate.[12] For entities that were not assigned a separate rate in the previous segment of a proceeding, to demonstrate eligibility, the Department requires a separate-rate application.[13] Companies that submit a SRA or SRC which are subsequently selected as mandatory respondents must respond to all parts of the Department's questionnaire in order to be eligible for separate rate status.[14]

In this review, Heze Huayi, Jiheng, and Kangtai each submitted a separate rate certification.[15] As discussed above in the "Background" section, Jiheng was selected as a mandatory respondent and was issued a questionnaire, including a Section A that sought detailed information regarding the company's eligibility for a separate rate, including its organization, accounting practices, markets, and merchandise. Jiheng failed to respond to this Section A questionnaire. Absent the additional information required in the Department's questionnaires, the select data in Jiheng's SRC are insufficient to calculate a margin, and we cannot analyze fully or verify Jiheng's claim for a separate rate. As a result, we preliminarily find that Jiheng did not demonstrate its eligibility for a separate rate in this review. Consequently, we preliminarily find that Jiheng is part of the PRC-wide entity.

Heze Huayi and Kangtai have previously demonstrated their eligibility for a separate rate.[16] In their respective separate rate certifications, each company reported that they are wholly Chinese-owned companies.[17]

1. Absence of *De Jure* Control

The Department considers 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

[10] *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*).
[11] *See Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585 (May 2, 1994) (*Silicon Carbide*).
[12] *See Initiation Notice*, 80 FR at 45948.
[13] *Id.*
[14] *Id.*
[15] *See* Separate Rate Certifications.
[16] *See Chlorinated Isocyanurates From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2014-2015*, 81 Fed. Reg. 45128 (July 12, 2016) (*2014-2015 Prelim Results*), and accompanying Decision Memorandum at 3-5.
[17] *See* Heze Huayi SRC at 1; *also* Kangtai SRC at 1.

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.[18]

The evidence Heze Huayi and Kangtai provided in their separate rate certifications, as in prior proceeding(s), supports a preliminary finding of absence of *de jure* government control based on the following factors: (1) an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) applicable legislative enactments decentralizing control of the companies; and (3) formal measures by the government decentralizing control of PRC companies.[19]

2. Absence of *De Facto* Control

As stated in previous cases, there is evidence that certain enactments of the PRC central government have not been implemented uniformly among different sectors and/or jurisdictions in the PRC.[20] Therefore, the Department has determined that an analysis of *de facto* control is critical in determining whether Heze Huayi and Kangtai are, in fact, subject to a degree of government control over export activities which would preclude the Department from assigning separate rates. The Department considers four factors in evaluating whether each respondent is subject to *de facto* government control of its export functions: (1) whether the export prices 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.[21]

The evidence Heze Huayi and Kangtai provided in their separate rate certifications,[22] as in past proceeding(s), supports a preliminary finding of absence of *de facto* government control based on the following factors: (1) an absence of restrictive government control on export prices; (2) a showing of authority to negotiate and sign contracts and other agreements; (3) a showing that Heze Huayi and Kangtai maintain autonomy from the government in making decisions regarding the selection of management; and (4) a showing that Heze Huayi and Kangtai retain the proceeds of their respective export sales and make independent decisions regarding disposition of profits or financing of losses.

The evidence placed on the record of this administrative review by Heze Huayi and Kangtai demonstrates an absence of *de jure* and *de facto* government control, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Therefore, the Department has preliminarily granted Heze Huayi and Kangtai a separate rate.

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[18] *See Sparklers*.
[19] *See* Separate Rate Certifications.
[20] *See, e.g., Silicon Carbide*, 59 FR at 22586-87.
[21] *Id.; see also Sparklers*, 56 FR at 20589; *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).
[22] *See* Separate Rate Certifications.

Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to determine NV, in most circumstances, on the NME producer's factors of production (FOP) based on the best available information regarding the values of such factors in a surrogate ME country, or countries, considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing FOPs, the Department shall utilize, to the extent possible, the prices or costs of FOPs in one or more ME countries that are (a) at a level of economic development comparable to that of the NME country and (b) significant producers of comparable merchandise. Moreover, it is the Department's practice to select an appropriate surrogate country based on the availability and reliability of data from the countries.[23]

On October 31, 2016, the Department invited parties to comment on surrogate country selection and provide information regarding FOP valuation in the instant review.[24] These comments are summarized below.

On December 2, 2016, petitioners stated in their surrogate country comments that comparable merchandise is produced in each of the six economically comparable countries on the Surrogate Country List, but that Mexico is the only country on the Surrogate Country List which exports and produces significant quantities of chlorinated isos. This latter assertion was based on a reconciliation of the Mexican export data from the PIERS Cross-Border report to the Global Trade Atlas (GTA) export data for subject merchandise from Mexico, showing the Mexican firm Aqua Chlor to be a producer and major exporter of chlorinated isos during the POR; product registrations filed by Aqua Chlor with the U.S. Environmental Protection Agency (EPA) for subject merchandise marketed in the United States; GTA exports figures that demonstrate Mexico exported significant quantities of chlorinated isos during the POR.[25] Petitioners also noted that in *2014-2015 Chlorinated Isos Review*, the Department selected Mexico as the primary surrogate country because it was the only economically comparable country that was a significant producer of both comparable and identical merchandise, and had the highest quality SVs.[26] On December 19, 2016, petitioners submitted SV data from Mexico based on Mexican import data published by the GTA for all the material and packing inputs reported by the respondents, and other Mexican data sources for the remaining SVs.[27]

The respondents submitted their surrogate country selection comments on December 2, 2016, arguing that Romania and Thailand are suitable choices for a surrogate country because they are

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[23] *See* Department Policy Bulletin No. 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (*Policy Bulletin*).
[24] *See* Request for Surrogate Country and Value Comments and attached Memorandum, "Request for a List of Surrogate Countries for the 2015-2016 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People's Republic of China," dated October 31, 2016 (Surrogate Country List).
[25] *See* Letter from petitioners, "Comments on Primary Surrogate Country Selection," dated December 2, 2016 (Petitioners' SC Comments), at 3-6 and Exhibits 1-3.
[26] *See 2014-2015 Prelim Results* at 13, unchanged in *Chlorinated Isocyanurates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 82 FR 4852 (January 17, 2017) (*2014-2015 Chlorinated Isos Review*), and accompanying Issues and Decision Memorandum.
[27] *See* Letter from petitioners, "Initial Surrogate Value Data," dated December 19, 2016 (Petitioners' SV Submission).

substantial producers of comparable merchandise.[28] They argue that Thailand has been used in recent administrative reviews and has quality data to value all factors of production except for chlorine.[29] In addition, respondents note that Romania is also on the surrogate country list and has provided reliable SVs.[30] On December 12, 2016, the respondents rebutted petitioners' surrogate country comments, arguing that Mexico has serious deficiencies as a potential surrogate country because Mexico is not a significant producer of comparable merchandise and lacks quality, reliable data, most notably for the financial ratios.[31] The respondents further state that the submission of contemporaneous SVs in this review will only confirm that Mexico is not a reliable surrogate country and that Romania provides the best available information to value the respondents' inputs.[32] On December 19, 2016, the respondents submitted SV information for Romania and Thailand, arguing that Romania be selected as the primary surrogate country or alternatively, Thailand.[33] Rebuttal SV information was submitted by the respondents on January 5, 2017, which included additional clarifying information on the ILO Mexican labor value and ILO definitions of labor costs.[34] In addition, the respondents included additional information on the products manufactured by the Mexican company CYDSA, the surrogate company used by the petitioners to calculate financial ratios, to argue that CYDSA produces comparable merchandise in only one of its three company divisions, thereby negating this company's suitability as a financial surrogate.[35]

On January 5, 2017, the petitioners rebutted respondents' argument that Romania be selected as the primary surrogate country or, in the alternative, Thailand, stating Mexico is the better choice. The petitioners note that in the last review, the Department found the overall quality of the Mexican SV data to be better than both Romania and Thailand data, in selecting Mexico as the primary surrogate country.[36] The petitioners also argue that Mexico is the only economically comparable country that produces identical merchandise and provides complete coverage to value all respondents' factors of production. The petitioners contend that absent any significant issues regarding to the quality or reliability of the Mexican SV data, the Department's *Policy Bulletin* 04.1 indicates that the Department "need not go further" and consider other economically comparable countries that produce comparable merchandise.[37]

The petitioners argue that Thailand should be disregarded as an appropriate surrogate country because the Department has in prior segments rejected Thai import data as a basis for the value of chlorine, a significant input in the production of chlorinated isos.[38] In addition, the petitioners

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[28] *See* Letter from respondents, "Comments on Surrogate Country Selection," (Respondents' SC Comments), dated December 2, 2016, at 2.
[29] *Id.*
[30] *Id.* at 3.
[31] *See* Letter from respondents, "Rebuttal Comments on Surrogate Country Selection," dated December 12, 2016 (Respondents' SC Rebuttal Comments), at 1.
[32] *Id.* at 2.
[33] *See* Letter from respondents, "Surrogate Values for the Preliminary Results," dated December 19, 2016 (Respondents' SV Comments).
[34] *See* Letter from respondents, "Rebuttal Surrogate Values for the Preliminary Results," dated January 5, 2017, at 1.
[35] *Id.* at 2.
[36] *See* Letter from petitioners, "Petitioners' Rebuttal to Factor Value Submissions of Kangtai and Heze," dated January 5, 2017 (Petitioners' SV Rebuttal Comments), at 3.
[37] *Id*. at 4 citing to *Policy Bulletin* at note 6.
[38] *Id.* at 5-6.

state that the Thai financial statements submitted on the record of this review are not contemporaneous with the period of review, and are the same ones that the Department found to be unusable in the prior review because both of these company had received countervailable subsidies.[39] Likewise, the petitioners contend that the quality of Romania SV data is not superior to the Mexican data, noting that the Romanian SV for the key input chlorine is aberrational, and that the record lacks a Romanian SV for water.[40] Finally, the petitioners note that the Romanian financial statements submitted on the record of this review did not include a translation and must therefore, be rejected.[41] The petitioners conclude by arguing that there are no significant issues regarding the quality and reliability of the Mexican SV data, thereby making Mexico is the appropriate surrogate country from which to value respondents' factors of production.

The respondents submitted alternative SV information on March 16, 2017, which included a contemporaneous Mexican labor rate published by the Mexican National Institute of Statistics and Geography (INEGI), and is based on labor data from the Monthly Survey of the Manufacturing Industry (EMIM), which respondents argue is the underlying source of the ILO 6A data.[42] The respondents also provided three additional financial statements from Mexican producers, arguing that the Department has a preference to rely on multiple financial statements to normalize any potential distortions that may arise from using those of a single producer.[43] In addition, the respondents submitted UN COMTRADE import data for caustic soda for each of the countries listed on the Surrogate Country list to argue that the Mexican import price for caustic soda is aberrational. Based on this data, the respondents note that the Mexican import data is twice as high as the import prices of some of the other surrogate countries, and that the Department should instead select Brazil to value caustic soda since it is the largest importer of caustic soda.[44] The respondents also provided Mexican domestic prices for caustic soda published by ICIS (an industry publication on global chemical prices), including information on the methodology used by the ICIS to collect and report these prices.[45] Additional clarifying information on the Mexican labor rate and UN COMTRADE import statistics into Mexico and Brazil for caustic soda were submitted by the respondents on May 1, 2017.[46]

On March 27, 2017, the petitioners submitted information to rebut the additional SV information placed on the record by the respondents. The petitioners argue that the INEGI Mexican labor data submitted by respondents is based on wage rates and not labor costs, which includes the full costs of wages, salaries, and benefits.[47] According to the petitioners, this is evident when you compare respondents' INEGI labor wage rate to a different INEGI data table that captures the labor cost.[48] Although these INEGI labor costs are consistent with the ILO labor costs, the

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[39] *Id.* at 6-7.
[40] *Id.* at 7-8.
[41] *Id.* at 8.
[42] *See* Letter from respondents, "Second Submission of Surrogate Values for the Preliminary Results," dated March 16, 2017 (Respondents' Second SV Comments), at 1 and Exhibits 1-2.
[43] *Id.* at 1-2 and Exhibits 3-5.
[44] *Id.* at 2 and Exhibit 9.
[45] *Id.* at 2 and Exhibits 6-8.
[46] *See* Letter from respondents, "Final Submission of Surrogate Values for the Preliminary Results," dated May 1, 2017 (Respondents' Final SV Information), at 1.
[47] *See* Letter from petitioners, "Rebuttal Comments Regarding Surrogate Value Information Submitted by Kangtai and Huayi," dated March 27, 2017 (Petitioners' Second SV Rebuttal), at 2.
[48] *Id.* at 3 and Exhibits 2-3.

petitioners nevertheless state that there is no factual basis to depart from the ILO labor cost data that has been used in prior reviews. On May 1, 2017, the petitioners submitted additional comments to rebut the respondents clarifying information on the use of INEGI labor costs contained in Respondents Final SV Information, arguing that the information on the record concerning the use of the INEGI data remains unclear based on the discrepancy in the per hour labor cost between the two sets of INEGI labor data.[49]

The petitioners also argue that none of the three additional Mexican financial statements submitted by the respondents are appropriate to use because none of the three companies produce identical or comparable merchandise.[50] The petitioners state that the first company's financial statement, Mexichem, has three business segments which are identified as "Fluent," "Vinyl," and "Fluor," and that only the "Vinyl" segment uses any chemicals such as salt, chlorine, and caustic soda, to produce downstream PVC plastics and resins.[51] According to the petitioners, there is no information in Mexichem's financial statement to indicate that identical or comparable merchandise are even used in the intermediate production process.[52] The petitioners state that the financial statement of the second Mexican company, Pochteca, identifies this company as a distributor and not a manufacturer of industrial raw materials.[53] According to the petitioners, Pochteca's financial statement describes this company as a "suppliers, distributors, and master distributors," noting "{. . .}.its main activities are comprised of trading raw materials for the chemical, coating, plastics and food industries . . ..."[54] Finally, the petitioners argue that the third Mexican company's financial statement, Alpek, shows that it does not produce any chlor-alkali products comparable to chlorinated isos.[55] The petitioners provided information from Alpek's website that indicates that this company is a producer of petrochemicals in its plastics and chemicals business, but that it does not produce specialty and industrial chemicals.[56] Accordingly, the petitioners conclude that the CYDSA financial statements are the only appropriate source to use to calculate surrogate financial ratios because CYDSA is the only Mexican company that produces comparable merchandise.

The petitioners contend that the Department should not rely on the Mexican domestic prices for caustic soda from the ICIS data submitted by the respondents. The prices in the ICIS data represent only a subset of the market prices for caustic soda in Mexico and do not include small and large customers, according to the petitioners.[57] Furthermore, the petitioners note that this subset of prices uses "spot" prices based on bids and offers, and do not represent true commercial transactions.[58] Based on this, the petitioners argue that the GTA import data is a better source for calculating the SV for caustic soda.

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[49] *See* Letter from petitioners, "Rebuttal Comments for the Preliminary Results," dated May 10, 2017 (Petitioners' Final SV Rebuttal Comments), at 2.
[50] *Id.* at 4-5.
[51] *Id.* at 5-6.
[52] *Id.* at 6.
[53] *Id.* at 7.
[54] *Id.*
[55] *Id.*
[56] *Id.* at 7-8 and Exhibit 6.
[57] *Id.* at 10.
[58] *Id.*

Next, the petitioners argue that the GTA import data on the record should continue to be used as the SV for caustic soda since the Department has a preference to use this data because it contains average import prices that are product-specific, tax-exclusive, and publicly available. [59] Moreover, the petitioners state, the Department found this GTA import data for caustic soda reliable in the last review even though that unit value was higher than the unit value in the instant review.[60] The petitioners note that respondents did not question the validity of this Mexican GTA value for caustic soda in the last review, and that the per unit value in this review is consistent with the value in the prior review.[61]

The petitioners submitted information to rebut the use of the UN COMTRADE import data that respondents relied on to make the argument that the GTA data is aberrational, showing the import quantities from the UN COMTRADE data for caustic soda to be different than the quantities reported in the GTA import data.[62] The petitioners cite to the Department's practice of not using[63] third-party data which does not capture all the imports reported in the GTA data, which the Department considers to be representative of the official import statistics.[64] Moreover, the petitioners question how the additional UN COMTRADE import data for caustic soda can show that Mexican GTA import statistics are aberrant or unreliable.[65]

Finally, the petitioners argue that there is no basis to find the GTA data aberrational because the monthly price ranges for caustic soda are similar to those ranges in the UN COMTRADE import data for Romania, Bulgaria, South Africa, and Thailand, indicating that these countries have similar monthly swings in the unit price for caustic soda.[66] Even considering the range of average unit values in the UN COMTRADE import data for caustic soda from each country during the period of review, the petitioners argue that these price differences are not sufficient to show that the Mexican price is distorted, given that they all fall along a similar spectrum of values that are not "many" or "several" times greater than the other values.[67] Moreover, the petitioners argue that if you convert the UN COMTRADE data to account for a 50% caustic soda solution, this value would actually support the use of the Mexican GTA import data.

On May 1, 2017, the petitioners submitted their final comments for the preliminary results, again noting that Mexico is the only potential surrogate country that is both economically comparable and a producer of subject merchandise. The petitioners note that in the prior review in selecting Mexico as the primary surrogate country, the Department stated its preference to select a surrogate country that produces identical merchandise over one that only produces comparable

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[59] *Id.* at 11, citing to *Circular Welded Carbon-Quality Steel Pipe from the Socialist Republic of Vietnam*, 81 FR 75042 (October 28, 2016) and accompanying Issues and Decision Memorandum at Comment 12 ("We prefer GTA data because they are average import prices, representative of prices within the POI, product-specific, tax-exclusive and publicly available.").
[60] *Id.* at 14.
[61] *See* Petitioners' Final SV Rebuttal Comments, at 4.
[62] *Id.* at 11-12 and Exhibit 9, noting that there is no reported GTA import quantity for Brazil available to compare to the UN COMTRADE data.
[63] *See* Petitioners Final SV Rebuttal Comments at 3.
[64] *Id.* at 12, citing to *Multilayered Wood Flooring from the People's Republic of China*, 79 FR 26712 (May 9, 2014) and accompanying Issues and Decision Memorandum, at Comment 6.
[65] *See* Petitioners Final SV Rebuttal Comments at 3.
[66] *Id.* at 12.
[67] *Id.* at 13.

merchandise.[68] This is based on the sequential analysis of the *Policy Bulletin* specifying that {i}f 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."[69] Noting that the record of the instant review mirrors the record of the last review, the petitioners state that Romania and Thailand are only producers of comparable merchandise.[70]

Moreover, the petitioners argue that the record demonstrates that Mexico has the highest quality of data to value all the factors of production.[71] The petitioners note that Thailand lacked a useable chlorine SV, which is a key input the production of subject merchandise, whereas Mexico is the largest importer of chlorine among the economically comparable countries.[72] In addition, the Department has previously rejected the use of the same Thai financial statements that are on the record because they include evidence of subsidization, and for purposes of this review, are not contemporaneous.[73] In contrast, CYDSA's financial statement is contemporaneous and is indicative of a producer that sells comparable merchandise.[74]

The petitioners argue that the Romanian SV data also has similar defects as the Thai SV data. Specifically, the Romanian data does not include a usable SV for chlorine, which is also aberrational and even higher than the Thai value for chlorine.[75] In addition, the petitioners note that the Romanian data does not include a SV for water and includes financial statements from Chimcomplex that are not useable because they are not translated.[76] Therefore, the petitioners conclude, even if the Department were to ignore its preference for selecting a primary surrogate country that produces identical merchandise over those that produce comparable merchandise, Mexico should be selected because it provides the best quality SV information.[77]

1. Economic Comparability

Section 773(c)(4)(A) of the Act is silent with respect to how the Department may determine that a country is economically comparable to the NME country. As such, the Department's long standing practice, in accordance with its regulation 19 CFR 351.408(b), has been to identify those countries which are at a level of economic development similar to the PRC in terms of per capita GNI data available in the World Development Report provided by the World Bank.[78]

Furthermore, providing parties with a range of countries with varying GNIs is reasonable given that any alternative would require a complicated analysis of factors affecting the relative GNI

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[68] *See* Petitioners' Pre-Preliminary Comments, at 2-3, citing *2014-2015 Chlorinated Isos Review* at Comment 1.
[69] *Id.* at 5, citing to *Policy Bulletin* at note 6.
[70] *Id.* at 5-6.
[71] *Id.* at 6.
[72] *Id.* at 7.
[73] *Id.*
[74] *Id.*
[75] *Id.* at 8.
[76] *Id.*
[77] *Id.* at 9.
[78] *See, e.g., Pure Magnesium from the People's Republic of China: Final Results of the 2008-2009 Antidumping Duty Administrative Review of the Antidumping Duty Order*, 75 FR 80791 (December 23, 2010) and accompanying Issues and Decision Memorandum at Comment 4.

differences between the PRC and other countries, which is not required by the statute. In contrast, by identifying countries that are economically comparable to the PRC based on GNI, the Department provides parties with a predictable practice which is reasonable and consistent with the statutory requirements. We note that identifying potential surrogate countries based on GNI data has been affirmed by the U.S. Court of International Trade (CIT), which found the use of per capita GNI to be a "consistent, transparent, and objective metric to identify and compare a country's level of economic development" and "a reasonable interpretation of the statute."[79]

Pursuant to section 773(c)(4) of the Act, the Department listed Brazil, Bulgaria, Mexico, Romania, South Africa, and Thailand as countries that are comparable to the PRC in terms of economic development based on 2015 per capita gross national income (GNI) data available in the World Development Report provided by the World Bank; the Department provided parties an opportunity to comment on this list.[80] No party challenged the Department's list of economically comparable countries.

The Department is satisfied that the countries on the Surrogate Country List are equally comparable in terms of economic development and serve as an adequate group to consider when gathering SV data. As the Department's policy is to consider all countries on the Surrogate Country List to be equally comparable economically to the PRC, we did not use GNI alone as the rationale for selecting among these six countries. Instead, as further discussed below, we evaluated which of these countries is also a significant producer of comparable merchandise and has reliable data.

2. Significant Producers of 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, the Department looks to other sources such as the Policy Bulletin 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."[81] Conversely, if identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.[82] Further, when selecting a surrogate country, the statute requires the Department to consider the comparability of the merchandise, not the comparability of the industry.[83] "In cases where the identical merchandise is not produced, the Department must determine if other merchandise that is comparable is produced. How the Department does this

[79] *See Jiaxing Brother Fastener Co. v. United States*, 961 F. Supp. 2d 1323, 1329 (CIT 2014).
[80] *See* Surrogate Country List.
[81] *See Policy Bulletin* at 2.
[82] 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." *Id.* at note 6.
[83] *See Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674, 65675-76 (December 15, 1997) ("{T}o 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.").

depends on the subject merchandise."[84] In this regard, the Department recognizes that any analysis of comparable merchandise must be done on a case-by-case basis:

> In other cases, however, where there are major inputs, *i.e.*, inputs that are specialized or dedicated or used intensively, in the production of the subject merchandise, *e.g.*, processed agricultural, aquatic and mineral products, comparable merchandise should be identified narrowly, on the basis of a comparison of the major inputs, including energy, where appropriate.[85]

Further, the statute grants the Department discretion to examine various data sources for determining the best available information.[86] Moreover, while the legislative history provides that the term "significant producer" includes any country that is a significant "net exporter,"[87] it does not preclude reliance on additional or alternative metrics.

In this case, the Department finds that calcium hypochlorite and sodium hypochlorite are comparable to subject merchandise because, as previously determined, in prior segments of this proceeding, it has similar physical characteristics and end uses, and a similar production process, as the subject merchandise.[88] The respondents have placed evidence on the record which shows that all six economically comparable countries have exports in commercial quantities of comparable merchandise.[89] In addition, the Department finds that the petitioners provided sufficient evidence which includes an affidavit and attached joint venture agreement demonstrating Mexican production of chlorinated isos by Aqua Chlor; product registrations filed with the EPA for specific brand names of subject merchandise; and, information that corroborates the extensive PIERS cross-border trade data for shipments of subject merchandise with the GTA export data for identical merchandise.[90]

Thus, the Department finds that each of the countries on the Surrogate Country List (Brazil, Bulgaria, Mexico, Romania, South Africa, and Thailand) are significant producers of comparable merchandise (calcium hypochlorite or sodium hypochlorite), and that Mexico is also a significant producer of identical merchandise.

As further discussed below, because each of the six countries on the Surrogate Country List remains eligible for selection as the primary surrogate country, we are basing our determination on an evaluation of which of these countries has the best available information, *i.e.*, available and reliable data, for purposes of SV selection.

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[84] *See* Policy Bulletin at 2.
[85] Id. at 3.
[86] *See* section 773(c) of the Act; *see also Nation Ford Chem. Co. v. United States*, 166 F.3d 1373, 1377 (Fed. Cir.1990).
[87] *See* Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576 (1988), at 590.
[88] *See Chlorinated Isocyanurates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2012-2013*, 80 FR 4539, January 28, 2015 (*2012-2013 Review*), and accompanying Issues and Decision Memorandum at Comment 2.
[89] *See* Respondents' SC Comments at Exhibit 1.
[90] *See* Petitioners' SC Comments at 4-7 and Exhibits 1-3.

3. Data Availability

In accordance with 19 CFR 351.408(c)(1) and its practice, when evaluating SV data, the Department considers several factors including whether the SVs are publicly available, contemporaneous with the POR, represent a broad-market average, from an approved surrogate country, tax and duty-exclusive, and specific to the inputs.[91] There is no hierarchy among these criteria. The Department will often rely on the SV data derived from Global Trade Atlas (GTA) data, as published by the Global Trade Information Services. Furthermore, in accordance with 19 CFR 351.408(c)(4), the Department will normally use non-proprietary information from producers of identical or comparable merchandise in the surrogate country as the basis for calculation of the surrogate ratios. It is the Department's practice to carefully consider the available evidence in light of the particular facts of each industry when undertaking its analysis.[92]

In this case, the Department has identified a number of FOPs for which we require SV data, with chlorine and caustic soda considered among the most significant inputs used in the production of chlorinated isos. The Department also requires useable financial statements from a producer of identical or comparable merchandise surrogate country. Other than the comparison import data for chlorine[93] and caustic soda[94] submitted by the respondents, there is no data on the record for any other FOP for Brazil, Bulgaria, and South Africa, nor any surrogate financial statements. With these countries disqualified, the Department is left with Mexico, Romania, and Thailand as options for potential primary surrogate country.

The Department has available to it on the record of this administrative review SV data for the respondent's FOPs for Mexico, Romania, and Thailand. Of these, only Mexico has useable SVs for all the respondents' FOPs, including surrogate financial statements and the key material input, chlorine. In the case of Thailand, it does not have a usable SV for chlorine which the respondents themselves recognize as aberrant.[95] The Department has also previously found the Thai financial statements for Aditya Birla, Thasco, and AGC Chemicals unusable because they included information that indicated these companies had received countervailable subsidies.[96] Additionally, these same financial statements which are also on the record of this review, are no longer contemporaneous with the current period of review.[97] Nor has any party argued that Thailand should be selected as the primary surrogate country.

In weighing the quality of data of Mexico and Romania, we preliminarily find Mexico to also have better SV data than Romania. Mexico has usable SVs for all inputs, whereas the Romanian data lacks a SV for water and includes an aberrational average unit value (AUV) for chlorine based on GTA import statistics, that is over five times the AUVs for imports of chlorine to

[91] *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 (September 8, 2006) and accompanying Issues and Decision Memorandum at Comment 1.
[92] *See* Policy Bulletin.
[93] *See* Respondents' SC Comments at 3 and Exhibit 3.
[94] *See* Respondents' Second SV Comments at 2 and Exhibit 9.
[95] *See* Respondents' SC Comments at 3.
[96] *See 2014-2015 Prelim Results* and accompanying Decision Memorandum at 11.
[97] *See* Respondents' SV Comments at 2 and Exhibits 13-15.

Mexico and Bulgaria, the two largest importers during the POR.[98] Of the other economically comparable countries, only Brazil has usable imports at commercial quantities, but the comparison shows that the Romanian AUV is over twelve times the AUV for Brazil.[99] Finally, the Romanian financial statements and the accompanying notes that are on the record of this review were not translated and therefore, cannot be used to calculate the surrogate financial ratios.[100]

Based on examination of all record evidence, as discussed above, we find Mexico to have the highest quality SV data on the record, and to be the best choice for the primary surrogate country. A detailed explanation of the SVs is provided below in the "Normal Value" section of this notice and in the Preliminary SV Memorandum.[101]

Date of Sale

Pursuant to 19 CFR 351.401(i), the Department starts with a presumption that invoice date is the correct date of sale unless record evidence indicates that the material terms of sale such as price and quantity are established on another date. Heze Huayi and Kangtai reported that the date of sale should be the invoice date because the material terms of the sale are fixed at invoice date.[102] In this case, as the Department has found no evidence contrary to Heze Huayi's and Kangtai's claims that the invoice date was the appropriate date of sale, the Department has used invoice date as the date of sale for these preliminary results in accordance with 19 CFR 351.401(i).[103]

Normal Value Comparisons

In accordance with section 773(a) of the Act, the Department compared the EP or CEP of the U.S. sales of the merchandise under consideration to the weighted-average NV to determine whether the individually-examined respondents sold merchandise under consideration to the United States at less than normal value during the POR.

1. Export Price

In accordance with section 772(a) of the Act, "the term 'export price' means the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States,

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[98] *See* Petitioners' SV Rebuttal Comments at 7.
[99] *Id.*
[100] *See* Respondents' SV Comments at Exhibit 3.
[101] *See* Memorandum, "2015-2016 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People's Republic of China: Preliminary Results SV Memorandum," dated concurrently with this memorandum (Preliminary SV Memorandum).
[102] *See* Letter from Heze Huayi, "Section C and D Response," dated December 12, 2016 (Heze Huayi Section C&D Response); Section C response at 10; Letter from Kangtai, "Section C and D Response," dated December 12, 2016 (Kangtai Section C&D Response), Section C response at 10.
[103] *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from Thailand*, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10.

as adjusted under subsection (c).” The Department defined the U.S. price of merchandise under consideration based on the EP for all sales reported by Heze Huayi and Kangtai.

The Department calculated the EP based on the prices at which merchandise under consideration was sold to unaffiliated purchasers in the United States. To this price, we added amounts for components that were supplied free of charge (Heze Huayi[104] and Kangtai[105]), where applicable, pursuant to section 772(c)(1)(A) of the Act and consistent with our treatment of sales in prior reviews.[106] For free raw materials and packing materials, we added the SVs for these materials, multiplied by the reported FOPs for these items, to the U.S. price paid by Heze Huayi’s or Kangtai’s customer. In accordance with section 772(c) of the Act, where appropriate, we deducted from the starting prices to the unaffiliated purchasers, the expenses for: foreign inland freight; international freight; brokerage and handling; marine insurance; and U.S. customs duties.[107] For the expenses that were either provided by an NME vendor or paid for using an NME currency, we used SVs, as appropriate.[108]

2. Value-Added Tax

The Department’s practice in NME cases is to adjust EP or CEP for the amount of any un-refunded value-added tax (VAT), in accordance with section 772(c)(2)(B) of the Act.[109] The Department explained that when an NME government imposes an export tax, duty, or other charge on subject merchandise, or on inputs used to produce subject merchandise, from which the respondent was not exempted, the Department will reduce the respondent’s EP and CEP prices accordingly by the amount of the tax, duty or charge paid, but not rebated.[110] Where the irrecoverable VAT is a fixed percentage of CEP or EP, the Department explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. CEP or EP downward by this same percentage.[111] The Department’s methodology, as explained above and applied in this review, essentially amounts to performing two basic steps: (1) determining the irrecoverable VAT tax on subject merchandise, and (2) reducing U.S. price by the amount determined in step one.

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[104] *See* Letter from Heze Huayi, “Supplemental Section A, C, and D Questionnaire Response,” dated March 20, 2017 (Heze Huayi Supplemental Response), at 3.
[105] *See* Letter from Kangtai, “Supplemental Section A, C, and D Questionnaire Response,” dated April 14, 2017 (Kangtai Supplemental Response), at 3.
[106] *See e.g., Chlorinated Isocyanurates from the People’s Republic of China; Preliminary Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 43391 (July 25, 2014) (*2012-2013 Preliminary Results*) and accompanying Decision Memorandum, at 13, unchanged in *2012-2013 Review*.
[107] *See* Memorandum, “Analysis for the Preliminary Results of the 2015-2016 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People’s Republic of China: Heze Huayi Chemical Co. Ltd.,” dated June 30, 2016 (Heze Huayi Preliminary Analysis Memorandum); *also* Memorandum, “Analysis for the Preliminary Results of the 2015-2016 Administrative Review of the Antidumping Duty Order on Chlorinated Isocyanurates from the People’s Republic of China: Juancheng Kangtai Chemical Co., Ltd.,” dated June 30, 2016.
[108] *See* the “Factor Valuations” section below for details regarding the SVs for movement expenses.
[109] *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, 36483-84 (June 19, 2012) (*Methodological Change*).
[110] *Id.; see also 2011-2012 Chlorinated Isos Review* and accompanying Issues and Decision Memorandum at Comment 5.A.
[111] *Id.*

The Department requested that the respondents report net un-refunded VAT for the subject merchandise. Heze Huayi and Kangtai both reported that the official VAT rate for exports of subject merchandise is 17 percent and the refund rate is nine percent, under the applicable PRC regulations.[112] Thus, they incurred an effective VAT rate of eight percent on exports of domestically produced chlorinated isos. Because they pay VAT associated with subject merchandise and it is not refunded at a rate of eight percent, the Department adjusted each company's net price for the un-refunded VAT to calculate EP net of VAT. We note that this is consistent with the Department's policy and the intent of the statute, that dumping comparisons be tax-neutral.[113]

4. Normal Value

Section 773(c)(1) of the Act provides that, in an NME proceeding, the Department shall determine 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. The Department bases NV on FOPs in NMEs because the presence of government controls on various aspects of these economies renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies. Therefore, we calculated NV based on FOPs in accordance with sections 773(c)(3) and (4) of the Act and 19 CFR 351.408(c). Under section 773(c)(3) of the Act, FOPs include: (1) hours of labor required; (2) quantities of raw materials consumed; (3) amounts of energy and other utilities consumed; (4) representative capital costs; and (5) transportation costs. We used the FOPs reported by the respondent for materials, energy, labor, by-products, packing and freight. These reported FOPs included FOPs for various materials provided free of charge by the customer as discussed in the "Export Price" and "Constructed Export Price" sections, above.

Factor Valuation Methodology

In accordance with section 773(c) of the Act, we calculated NV based on the FOPs reported by Heze Huayi and Kangtai for the POR. To calculate NV, we multiplied the reported per-unit factor quantities by publicly available Thai SVs. In selecting the SVs, we selected, where possible, publicly available data, which represent an average non-export value and are contemporaneous with the POR, product-specific, and tax-exclusive. As appropriate, we adjusted input prices by including freight costs to render them delivered prices. Specifically, we added to the import SVs a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory. This adjustment is in accordance with the decision of the U.S. Court of Appeals for the Federal

[112] *See* Heze Huayi Section C&D Response at 29 and Exhibit C-3; *also* Kangtai Section C&D Response at 30 and Exhibit C-3.
[113] *See Methodological Change* (citing *Antidumping Duties; Countervailing Duties*, 62 FR27296, 27369 (May 19, 1997) and SAA at 827); *see also Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Preliminary Results of Antidumping Administrative Review; 2011-2012*, 78 FR 78333 (December 26, 2013) and accompanying Preliminary Decision Memorandum at Issue 9, unchanged in *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 37715 (July 2, 2014).

Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, the Department adjusted SVs for exchange rates and converted all applicable FOPs data to a per-kilogram basis.

A detailed description of all SVs used to calculate the weighted-average dumping margins for the mandatory respondents can be found in the Preliminary SV Memorandum. An overview of the SVs used to calculate weighted-average dumping margins for Heze Huayi and Kangtai are below.

Surrogate Values

For the preliminary determination, the Department used Mexican import data, as published by GTA, and other publicly available sources from Mexico to calculate SVs for respondents' FOPs. In accordance with section 773(c)(1) of the Act, the Department applied the best available information for valuing FOPs by selecting, to the extent practicable, SVs which are (1) non-export average values, (2) contemporaneous with or closest in time to the POR, (3) product-specific, and (4) tax-exclusive.[114] The record shows that that Mexico import data obtained through GTA, as well as data from other Mexican sources, are broad market averages, product-specific, tax-exclusive, and contemporaneous with the POR.[115] In those instances where the Department could not obtain information contemporaneous with the POR with which to value FOPs, the Department adjusted the SVs using, where appropriate, Mexico's producer price index, as published in the International Monetary Fund's (IMF's) International Financial Statistics.

We preliminarily find that we can use all the material and packing inputs included in the GTA import data for Mexico, including caustic soda which the respondents argue has an aberrational AUV. As an initial matter, we do not find the comparison method employed by the respondents to be informative since it relies on a completely different data set of import statistics (UN COMTRADE data) to demonstrate that the GTA data for caustic soda is aberrational.[116] In addition, the petitioners have shown that the quantity of imports of caustic soda in the UN COMTRADE data differs from the quantities reported in the GTA data, which the Department considers to be representative of the official trade statistics.[117] We also find that the Mexican domestic prices for caustic soda as reported by the ICIS is not a better alternative to the GTA import data. The information in the ICIS publication shows that the prices reported for Latin America countries such as Mexico, are not broadly based but rely only on medium-sized customers. In addition, these domestic prices do not always rely on actual transactions or "deals" in instances of an illiquid market when "bids and offers" are also included in the

[114] *See e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004).
[115] *See* Preliminary SV Memorandum.
[116] *See* Respondents' Second SV Comments at 2 and Exhibit 9.
[117] *See* Petitioners' Second SV Rebuttal at 11-12 and Exhibits 8-9.

pricing.[118] Therefore, for these preliminary results, we will continue to rely on the GTA import data because it is the best information on the record to value caustic soda.

In accordance with the legislative history of the Omnibus Trade and Competitiveness Act of 1988,[119] the Department continues to apply its long-standing practice of disregarding SVs if it has a reason to believe or suspect the source data may include subsidies.[120] In this regard, the Department has previously found that it is appropriate to disregard such prices from Thailand because we have determined that these countries maintain broadly available, non-industry specific export subsidies. Based on the existence of these subsidy programs that were generally available to all exporters and producers in these countries at the time of the POI, the Department finds it is reasonable to infer that all exporters from India, Indonesia, Korea, and Thailand may have benefitted from these subsidies.[121]

Additionally, the Department disregarded data from NME countries when calculating Mexican import-based per-unit SVs.[122] The Department also excluded from the calculation of Mexican import-based per-unit SVs imports labeled as originating from an "unidentified" country because the Department could not be certain that these imports were not from either an NME country or a country with generally available export subsidies.[123]

The Department used Mexican import statistics from GTA to value raw materials, by-products, packing materials, and certain energy inputs, except as listed below.

Free of Charge Raw Materials

As noted above, Heze Huayi and Kangtai reported that a U.S. customer(s) provided certain packing materials free of charge.[124] Packing materials that are provided free of charge to a respondent by its customer and materials for which a respondent is separately reimbursed by its customer are part of the cost of manufacturing, and must be included when calculating NV. Thus, for Heze Huayi's and Kangtai's products that included packing materials provided free of

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[118] *See* Respondents' Second SV Comments at Exhibit SV3-7 and the "Caustic Soda Methodology" section of the ICIS report at 2.
[119] *See* Conf. Report to Accompany H.R. 3, H.R. Rep. No. 576, 100th Cong., 2nd Sess. (1988) at 590.
[120] *See China Nat'l Mach. Import & Export Corp. v. United States*, CIT 01-1114, 293 F. Supp. 2d at 1334 (CIT 2003), aff'd 104 Fed. Appx. 183 (Fed. Cir. 2004).
[121] *See, e.g., Expedited Sunset Review of the Countervailing Duty Order on Certain Cut-to-Length Carbon Quality Steel Plate from Indonesia*, 70 FR 45692 (August 8, 2005), and accompanying Issues and Decision Memorandum at page 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 accompanying Issues and Decision Memorandum at Comment 1, pages 17, 19-20; and *Certain Hot-Rolled Carbon Steel Flat Products from Thailand: Final Results of Countervailing Duty Determination*, 66 FR 50410 (October 3, 2001), and accompanying Issues and Decision Memorandum at Comment 1.
[122] *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, 75301 (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).
[123] *Id.*
[124] *See* Letter from Heze Huayi, "Section A, C & D Questionnaire Response," March 20, 2017 (Heze Huayi Supplemental Response), at 3 and Exhibit SQ1-1; Letter from Kangtai, "Section A, C & D Questionnaire Response, April 14, 2017, (Kangtai Supplemental Response), at 8 and Exhibit SQ1-1.

charge, consistent with the Department's practice and section 773(c)(1)(B) of the Act, we used the built-up cost (*i.e.*, the SV for these packing materials multiplied by the reported FOPs for these items) in the NV calculation.[125] Where applicable, we also adjusted these values to account for freight expenses incurred between the nearest port of entry and each company's respective plants.[126]

Water

Because water was used by the respondents in the production of chlorinated isos, the Department considers water to be a direct material input rather than part of overhead. We valued water using data from Mexico's National Commission for Water published in Water Statistics in Mexico 2015. The rates are for water for industrial users in select cities in Mexico.[127]

By-products

The Department's practice is to grant respondents an offset to the reported FOPs for by-products generated during the production of the merchandise under consideration if evidence is provided that such by-product was produced during the POR and has commercial value.[128] The Department recently explained its practice as follows: "the by-product offset is limited to the total production quantity of the by-product …produced during the POR, so long as it is shown that the by-product has commercial value."[129] Heze Huayi and Kangtai claimed an offset for ammonium sulfate during the POR.[130] The Department is unable to determine the value of the specific by-products generated at the split-off point (*i.e.*, ammonia gas and the discharged sulfuric acid solution) using SVs in accordance with the Department's normal practice. Therefore, consistent with our methodology in the previous review, we valued waste ammonia gas and waste sulfuric acid by subtracting the further manufacturing costs and expenses used to make ammonium sulfate from these two by-products from the ammonium sulfate GTA SV.[131]

Electricity

For electricity, we used data from the website of the International Energy Agency, which contains pricing data contemporaneous with the POR for electricity rates in Mexico. We used

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125 *See, e.g., 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*, and accompanying Issues and Decision Memorandum at Comment 17.
126 *See* Preliminary SV Memorandum.
127 *Id.*
128 *See Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011*, 78 FR 35245 (June 12, 2013) and accompanying Issues and Decision Memorandum at Issue 10.
129 *See Frontseating Service Valves from the People's Republic of China: Final Results of the 2008-2010 Antidumping Duty Administrative Review of the Antidumping Duty Order*, 76 FR 70706 (November 15, 2011), and accompanying Issues and Decision Memorandum at Comment 18.
130 *See* Heze Huayi Section C&D Response, at D-16 and Exhibit D-7; Kangtai Section C&D Response, at D-16 to D-17 and Exhibit D-6.
131 *See Chlorinated Isocyanurates From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2013-2014*, 81FR 1167 (January 11, 2016), and accompanying Issues and Decision Memorandum at Comment 5.

the published electricity usage rate identified as "Electricity for industry" in the first quarter of 2016.[132] These electricity rates represent publicly available, broad-market averages. Moreover, because the value was denominated in USD, no currency conversion was required.

Truck Freight and Brokerage and Handling

We valued truck freight expenses using data from the World Bank's "Doing Business 2017: Mexico" publication. We also valued brokerage and handling expenses using this data source, which provided a price list of export procedures necessary to export a standardized cargo of goods in Mexico. We did not inflate these prices because they are contemporaneous with the POR.[133] Moreover, because the value was denominated in USD, no currency conversion was required.

Ocean Freight

We valued ocean freight charges using two price quotes from Maersk that are based on the cost of transporting products in 40-foot containers from Shanghai to Long Beach, California and Shanghai to Houston, Texas.[134] Because this is a POR value, no inflation was necessary. Moreover, because the value was denominated in USD, no currency conversion was required.

Labor

On June 21, 2011, the Department revised its methodology for valuing the labor input in NME AD proceedings.[135] In *Labor Methodologies*, the Department determined that the best methodology to value the labor input is to use industry-specific labor rates from the primary surrogate country. Additionally, the Department determined that the best data source for industry-specific labor rates is Chapter 6A of the Yearbook of Labor Statistics (Yearbook).[136] We used this source in the prior administrative review and continue to find this to be the best available information to value labor. We inflated the labor rate to calculate a contemporaneous value.

The respondents provided a contemporaneous Mexican SV labor rate published by INEGI from the EMIM that the respondents argue is the underlying source of the ILO 6A data.[137] The petitioners argue that the INEGI Mexican labor data submitted by respondents is based on wage rates and not labor costs, which include the full costs of wages, salaries, and benefits.[138] As support for their argument, the petitioners provided a comparison of the respondents' INEGI labor wage rate calculation, to a different INEGI data table that the petitioners argue is representative of the actual labor cost.[139] We reviewed this information and found that neither

[132] *See* Preliminary SV Memo.
[133] *Id.*
[134] *Id*.
[135] *See Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor,* 76 FR 36092 (June 21, 2011) (*Labor Methodologies*).
[136] *See* Preliminary SV Memo.
[137] *See* Respondents' Second SV Comments at 1 and Exhibits 1-2.
[138] *See* Petitioners' Second SV Rebuttal at 2.
[139] *Id.* at 3 and Exhibits 2-3.

party has adequately demonstrated that the INEGI labor data from either source can be linked to the ILO labor costs. Using the same INEGI data source and methodology that the respondents relied on to calculate a labor rate for the current period of review, we calculated the INEGI labor rate for 2008 and compared it to the 2008 ILO data. We found that this 2008 INEGI data could only account for 54 percent of the 2008 ILO 6A data, which suggests that not all of the labor costs were being accounted for in the data and calculation methodology employed by the respondents.[140] Likewise, we found that the petitioners use of a different INEGI data source that relied on an aggregate number for the whole chemical manufacturing sector during the period of review, also could not be tied to the inflated 2008 ILO data.[141] Given the discrepancies in both these INEGI data sources, we continue to find the 2008 ILO data to be the best available information on the record to use as the surrogate value for industry-specific labor rates.

Financial Ratios

The Department's criteria for choosing surrogate financial statements from which we derive the financial ratios are the availability of contemporaneous financial statements, comparability to the respondent's experience, and publicly available information.[142] Moreover, for valuing factory overhead, selling, general and administrative expenses (SG&A), and profit, the Department normally will use non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country.[143] In addition, the CIT has held that in the selection of surrogate producers, the Department may consider how closely the surrogate producers approximate the NME producer's experience.[144]

To calculate SVs for factory overhead, SG&A, and profit for these preliminary results, we used financial information from CYDSA, which was submitted by the petitioners.[145] CYDSA's 2015 annual financial statements are contemporaneous, publicly available, and the only one on the record that contains evidence of production of comparable merchandise. From this information, we can determine average factory overhead as a percentage of the total raw materials, labor, and energy (ML&E), average SG&A as a percentage of ML&E plus overhead (*i.e.*, cost of manufacture), and an average profit rate as a percentage of the cost of manufacture plus SG&A.

We evaluated the three additional Mexican financial statements placed on the record by the respondents and preliminarily find them to be not usable for purposes of calculating the surrogate financial ratios. One of the three Mexican companies, Pochteca, is identified on the cover page of its financial statement as being in the business of "Large Scale Distribution" whose mission is

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[140] *See* Excel Workbook data "Chloro Isos Prelim SVs 15-16" at "INEGI Labor" worksheet.
[141] *See* Petitioners' Second SV Rebuttal at 3 and Exhibit 1.
[142] *See, e.g., 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) and accompanying Issues and Decision Memorandum at Comment 3.
[143] *See, e.g., Diamond Sawblades and Parts Thereof from the People's Republic of China, Final Determination in the Antidumping Duty Investigation*, 71 FR 29303 (May 22, 2006) and accompanying Issues and Decision Memorandum at Comment 2; *see also* 19 CFR 351.408(c)(4); section 773(c)(4) of the Act.
[144] *See Rhodia, Inc. v. United States*, 240 F. Supp. 2d 1247, 1253-1254 (CIT 2002); *see also Persulfates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 70 FR 6836 (February 9, 2005) and accompanying Issues and Decision Memorandum at Comment 1.
[145] *See* Excel Workbook data "Chloro Isos Prelim SVs 15-16" at "CYDSA Fin" worksheet.

“{t}o be the preferred distributor of raw materials to customers and suppliers.” [146] The main activities of this company are comprised of trading raw materials for the chemical, coating, plastics and food industries, as well as the processing and marketing of paper, cardboard and products for graphic arts.”[147] In addition, Pochteca’s financial statements include no evidence that it is a producer of any chloro-alkali products. Accordingly, we do not find these financial statements useful for calculating surrogate financial ratios.

Our review of the other two Mexican financial statements for Mexichem and Alpek show that these two producers operate in businesses that use chlor-alkali products as intermediate products to produce downstream products rather than producing or exporting chlor-alkali products. Further, none of the chlor-alkali inputs identified in the financial statements of these companies include identical or comparable merchandise. Specifically, the financial statements for Mexichem indicates that its one business sector that produces chlor-alkali products, the “Vinyl” segment, uses these chemicals to “purify water, and PVC resins and compounds used to manufacture tubes, connectors, and special materials for various industries .”[148] Likewise, the financial statement of the third Mexican company that was submitted by the respondents, Alpek, shows that it operates in two major business segments, polyester chain products and plastics and chemicals, with the polyester segment accounting for 73 percent of its sales in 2015.[149] Alpek’s financial statements also indicate that polypropylene and expandable polystyrene account for 72 percent of the business for its plastics and chemicals segment, with the remaining chemical products identified as inputs used in the production of nylon for “clothing, engineering plastics and tire cord.”[150] Therefore, the record evidence supports using only the CYDSA financial statements as the best source to calculate surrogate financial ratios because it is the only Mexican company that produces comparable merchandise.

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether Heze Huayi’s and Kangtai’s sales of the subject merchandise to the United States were made at less than NV, the Department compared the EP to the NV as described above in the “Export Price” and “Normal Value” sections of this memorandum.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(l), the Department calculates individual dumping margins by comparing weighted-average NVs to weighted-average EP (the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to compare weighted-average NVs to the EPs 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)(l)(B) of the Act does not strictly govern the Department’s

[146] *See* Respondents’ Second SV Comments at Exhibit SV3-4, Pochteca financial statements at 1-3.
[147] *Id*. at 68, note 1 of Pochteca’s financial statements.
[148] *Id*. at Exhibit SV3-3 at 118, note 25 of Mexichem’s financial statements.
[149] *Id*. at Exhibit SV3-5, at 13 of Alpek’s financial statements.
[150] *Id*. at Exhibit SV3-5, at 17 of Alpek’s financial statements.

examination of this question in the context of administrative reviews, the Department finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in AD investigations.[151] In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of A-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(l) and consistent with section 777A(d)(1)(B) of the Act.[152] The Department finds the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department 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 for comparable merchandise that differs significantly among purchasers, regions, or time periods.[153] 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 customer codes for Heze Huayi and Kangtai. Regions are defined using the reported destination codes (*i.e.*, zip codes) for Heze Huayi and Kangtai, 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 the Department uses in making comparisons between EP 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

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[151] *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).

[152] *See Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013), and the accompanying Issues and Decision Memorandum at Comment 3; and *Hardwood and Decorative Plywood from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (September 23, 2013), and the accompanying Issues and Decision Memorandum at Comment 3.

[153]As noted above, differential pricing was used in recent investigations. We also have used it in AD administrative reviews. *See, e.g., Polyester Staple Fiber from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 17637 (March 22, 2013) and accompanying Decision Memorandum.

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" 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 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, the Department tests 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. 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.

2. Results of the Differential Pricing Analysis

Based on the results of the differential pricing analysis, the Department finds that the value of Kangtai's U.S. sales passing the Cohen's *d* test (Kangtai at 83.3 percent) is such that we should consider as an alternative comparison method applying the average-to-transaction method to a portion of U.S. sales.[154] However, the Department determines that the A-A method can appropriately account for such differences for these two companies because there is no meaningful difference between their respective weighted-average dumping margins which are unchanged when calculated using the A-A method and the alternative comparison method.[155] Accordingly, the Department has determined to use the A-A method to calculate the weighted-average dumping margin for each company.[156]

For Heze Huayi, the differential pricing analysis results show that no U.S. sales pass the Cohen's *d* test and therefore, does not confirm the existence of a pattern of prices that differ significantly among purchasers, regions or time periods. Thus, the results of the Cohen's *d* and ratio tests do not support consideration of an alternative to the A-to-A method. Accordingly, the Department preliminarily determines to apply the A-to-A method for all U.S. sales to calculate the weighted-average dumping margin for Heze Huayi.

Adjustments for Countervailable Subsidies

In determining whether to make an adjustment under section 777A(f) of the Act, the Department considers (1) whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class or kind of merchandise; (2) whether such countervailable subsidy has been demonstrated to have reduced the average price of imports of the class or kind of merchandise during the relevant period; and (3) whether the Department can reasonably estimate the extent to which that countervailable subsidy, in combination with the use of NV determined pursuant to section 773(c) of the Act, has increased the weighted average dumping margin for the class or kind of merchandise.[157] For a subsidy meeting these criteria, the statute requires the Department to reduce the antidumping duty by the estimated amount of the increase in the weighted average dumping margin subject to a specified cap.[158] In this case, none of the mandatory respondents established eligibility for the adjustment. Therefore, for each respondent in these preliminary results, the Department did not make an adjustment pursuant to section 777A(f) of the Act for countervailable domestic subsidies.

Pursuant to section 772(c)(1)(C) of the Act, the Department made an adjustment to for one countervailable export subsidy used by Heze Huayi that was based on an adverse facts available rate for the Export Seller's Credit Program from the countervailing duty (CVD) investigation.[159]

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[154] *See* Heze Huayi Preliminary Analysis Memorandum and Kangtai Preliminary Analysis Memorandum.
[155] *Id.*
[156] In these preliminary results for Heze Huayi and Kangtai, the Department 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) (*Final Modification for Reviews*). In particular, the Department compared monthly weighted-average EPs with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.
[157] *See* section 777A(f)(1)(A)(C) of the Act.
[158] *See* section 777A(f)(1)(2) of the Act.
[159] *See Chlorinated Isocyanurates from the People's Republic of China: Final Results of Countervailing Duty Administrative Review, and Partial Rescission of Countervailing Duty Administrative Review; 2014*, 82 FR 27466 (June 15, 2017) (*Chloro Isos CVD Review*), and accompanying Issues and Decision Memorandum Comment 2 at 14; *also Chlorinated Isocyanurates From the People's Republic of China: Final Affirmative Countervailing Duty*

The adjustment for Kangtai is zero because no countervailable export subsidies were found in the final determination of the CVD investigation and the Department rescinded the most recent administrative review of Kangtai for no shipments.[160] For the PRC-wide entity, since the entity is not currently under review, its rate is not subject to change.[161]

Currency Conversion

Where necessary, the Department 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 website at http://enforcement.trade.gov/exchange/index.html.

RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☒	☐
Agree	Disagree

6/30/2017

X Ronald K. Lorentzen

Signed by: RONALD LORENTZEN

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

Determination; 2012, 79 FR 56560 (September 22, 2014), and accompanying Decision Memorandum, at "Analysis of Programs" section; *also* Heze Huayi Preliminary Analysis Memorandum.

[160] *See Chloro Isos CVD Review*, 82 FR at 27467.

[161] *See Antidumping 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 Duty Proceedings*, 78 FR 65963, 65969-70 (November 4, 2013).