A-570-056
Investigation
Public Document
AD/CVD I: YJC/AG

November 7, 2017

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of
the Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Senior Director
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Certain Tool Chests and Cabinets from the People's Republic of China: Decision Memorandum for Preliminary Affirmative Determination of Sales at Less Than Fair Value

---

I. SUMMARY

The Department of Commerce (the Department) preliminarily determines that imports of certain tool chests and cabinets from the People's Republic of China (the PRC) are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated margins of sales at less than fair value are shown in the "Preliminary Determination" section of the accompanying *Federal Register* notice.

II. BACKGROUND

On April 11, 2017, the Department received an antidumping duty (AD) petition covering imports of certain tool chests and cabinets from the PRC,[1] which was filed in proper form on behalf of Waterloo Industries Inc. (the petitioner). The Department initiated this investigation on May 1, 2017.[2]

On May 2, 2017, the Department issued quantity and value (Q&V) questionnaires to companies

---

[1] *See* "Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam—Petition for the Imposition of Antidumping and Countervailing Duties" (April 11, 2017) (the Petition).
[2] *See Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam: Initiation of Less-Than-Fair-Value Investigations*, 82 FR 21523 (May 9, 2017) (*Initiation Notice*).

identified in the Petition.[3] On June 8, 2017, in accordance with section 777A(c)(2)(B) of the Act, the Department selected the two exporters accounting for the largest volume of certain tool chests and cabinets from the PRC during the period of investigation (POI), *i.e.*, Jiangsu Tongrun Equipment Technology Co., Ltd. (Jiangsu Tongrun),[4] and Zhongshan Geelong Manufacturing Co., Ltd.,[5] for individual examination.[6]

In the *Initiation Notice*, the Department notified parties of an opportunity to comment on the scope of the investigation, as well as the appropriate physical characteristics of certain tool chests and cabinets to be reported in response to the Department's AD questionnaire.[7] In response to comments and rebuttals filed by interested parties on the scope of the investigation, the Department issued the preliminary scope determination on September 8, 2017.[8]

On June 2, 2017, the International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain tool chests and cabinets from the PRC.[9]

On June 12, 2017, the Department issued its AD questionnaire to Geelong and the Tongrun Single Entity.[10] The Department received responses to the AD questionnaire from Geelong[11] and the Tongrun Single Entity.[12] The Department then issued supplemental questionnaires to Geelong and the Tongrun Single Entity and they responded to the supplemental questionnaires.[13]

---

[3] *See* Quantity and Value Questionnaire for the Antidumping Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China dated May 2, 2017 (Q&V Questionnaire).
[4] We preliminarily collapsed Jiangsu Tongrun and its affiliates Changshu Taron Machinery Equipment Manufacturing Co., Ltd. (Changshu Taron), Changshu Tongrun Mechanical & Electrical Equipment Manufacture Co., Ltd. (Changshu Tongrun), and Shanghai Tongrun Import and Export Co., Ltd. (Shanghai Tongrun) and collectively refer the collapsed entity as the Tongrun Single Entity. *See* the Affiliation and Single Entity section below.
[5] In its section A response, Zhongshan Geelong Manufacturing Co., Ltd., reported that it is a producer and its sales affiliate Geelong Sales (Macao Commercial Offshore) Limited (Geelong) is the exporter of subject merchandise. *See* Geelong's section A response dated August 9, 2017, at 1-6.
[6] *See* Memorandum, "Antidumping Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Respondent Selection," dated June 8, 2017 (Respondent Selection Memorandum).
[7] *See Initiation Notice*, 82 FR at 21523-24.
[8] *See* Memorandum, "Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam: Scope Comments Decision Memorandum for the Preliminary Determination" (Preliminary Scope Decision Memorandum), dated September 8, 2017.
[9] *See Tool Chests and Cabinets from China and Vietnam*, 82 FR 25628 (June 2, 2017), and Tool Chests and Cabinets from China and Vietnam: Inv. Nos. 701-TA-575 and 731-TA-1360-1361, USITC Pub. 4697 (June 2017) (Preliminary).
[10] *See* the AD questionnaire to Geelong and the Tongrun Single Entity dated June 12, 2017.
[11] *See* Geelong's section A response dated August 9, 2017, section C response dated July 31, 2017, section D response dated August 8, 2017, and double remedy response dated July 26, 2017.
[12] *See* the Tongrun Single Entity's section A response dated July 11, 2017, section C response dated August 1, 2017, section D response dated August 7, 2017, and double remedy response dated July 26, 2017.
[13] *See* Geelong's section A supplemental response dated September 22, 2017, section C and D supplemental response dated September 27, 2017, double remedy supplemental response dated September 15, 2017, and the Tongrun Single Entity's section A and double remedy supplemental response dated September 20, 2017, section C supplemental response dated September 22, 2017, and section D supplemental response dated September 25, 2017.

The petitioner submitted comments with respect to the responses submitted by these two respondents.[14]

The Department received timely separate rate applications (SRA) from 10 companies. From July to August 2017, the Department issued, and received responses to, separate rate supplemental questionnaires.

On May 22, 2017, the Department placed on the record a list of potential surrogate countries.[15] On June 1, 2017, the Department invited interested parties to comment on the selection of the primary surrogate country and provide surrogate values (SVs) information.[16] We received comments on the selection of the primary surrogate country and SVs information and rebuttals thereof from the petitioner,[17] Geelong,[18] and the Tongrun Single Entity.[19]

The Department is conducting this investigation in accordance with section 733(b) of the Act.

[14] *See* the petitioner's deficiency comments for Geelong dated July 28, 2017, August 7, 2017, and August 28, 2017, and the petitioner's deficiency comments for the Tongrun Single Entity dated July 28, 2017, August 7, 2017, August 25, 2017.

[15] *See* Memorandum, "Request for a List of Surrogate Countries for an Antidumping Duty Investigation of Certain Tool Chests and Cabinets ('CTCC') from the People's Republic of China ('China')," dated May 22, 2017 (Office of Policy Memorandum).

[16] *See* the Department's Letter to All Interested Parties, "Antidumping Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Request for Economic Development, Surrogate Country and Surrogate Value Comments and Information," dated June 1, 2017 (Surrogate Country and Values Comments Invitation Letter).

[17] *See* the petitioner's Letters, "Antidumping Investigation of Certain Tool Chests and Cabinets from the People's Republic of China – Petitioner's Surrogate Country Selection Comments," dated July 14, 2017 (the petitioner's SC Comments), "Antidumping Investigation of Certain Tool Chests and Cabinets from the People's Republic of China – Petitioner's Surrogate Value Data," dated August 18, 2017 (the petitioner's SV Comments 1), "Tool Chests and Cabinets from the People's Republic of China – Petitioner's Final Affirmative Surrogate Value Submission," dated October 10, 2017 (the petitioner's SV Comments 2), and "Tool Chests and Cabinets from the People's Republic of China – Petitioner's Pre-Preliminary Comments and 30 Day Surrogate Value Submissions Rebuttal," dated October 20, 2017 (the petitioner's SV Rebuttal Comments).

[18] *See* Geelong's Letters, "Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Comments Regarding Selection of the Primary Surrogate Country," dated July 14, 2017 (Geelong's SC Comments), "Antidumping Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Geelong Surrogate Value Information for the Antidumping Investigation," dated August 18, 2017 (Geelong's SV Comments 1), and "Antidumping Duty Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Geelong Rebuttal Surrogate Value Information," dated September 1, 2017 (Geelong's SV Rebuttal Comments).

[19] *See* the Tongrun Single Entity's Letters, "Tongrun's Surrogate Country Comments: Antidumping Duty Investigation on Certain Tool Chests and Cabinets from the People's Republic of China," dated July 14, 2017 (The Tongrun Single Entity's SC Comments), and "Tongrun's First Surrogate Value Submission: Antidumping Duty Investigation on Certain Tool Chests and Cabinets from the People's Republic of China," dated August 18, 2017 (The Tongrun Single Entity's SV Comments 1), "Tongrun's Final Surrogate Value Submission: Antidumping Duty Investigation on Certain Tool Chests and Cabinets from the People's Republic of China," dated October 10, 2017 (The Tongrun Single Entity's SV Comments 2), and "Tongrun's Final Surrogate Value Rebuttal Submission: Antidumping Duty Investigation on Certain Tool Chests and Cabinets from the People's Republic of China," dated October 20, 2017 (the Tongrun Single Entity's SV Rebuttal Comments).

III. PERIOD OF INVESTIGATION

The POI is October 1, 2016, through March 31, 2017. This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the petition, which was April 2017.[20]

IV. SCOPE COMMENTS

In accordance with the *Preamble* to the Department's regulations,[21] we set aside a period of time until May 22, 2017, for parties to comment on product coverage (scope).[22] Based on our analysis of the comments and rebuttals we received, we preliminarily modified the scope of this investigation.[23] The Department intends to address any scope comments received[24] and issue a final scope decision along with the final determination in the concurrent countervailing duty (CVD) investigation of certain tool chests and cabinets from the PRC.

V. PRODUCT CHARACTERISTICS

In the *Initiation Notice*, we set aside a period of time for parties to raise issues regarding product characteristics until May 16, 2017.[25] The petitioner and other interested parties provided comments[26] which we took into consideration in determining the physical characteristics outlined in the AD questionnaire.[27]

VI. SELECTION OF RESPONDENTS

Section 777A(c)(l) of the Act directs the Department to calculate an individual weighted-average dumping margin for each known exporter and producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department discretion to limit its examination to a reasonable number of exporters and producers if it is not practicable to make individual

---

[20] *See* 19 CFR 351.204(b)(1).
[21] *See Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997) (*Preamble*).
[22] *See Initiation Notice*, 82 FR at 21523.
[23] *See* Preliminary Scope Decision Memorandum for a full discussion of all scope comments.
[24] The scope case briefs were due 30 days after the publication of *Certain Tool Chests and Cabinets from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 82 FR 43331 (September 15, 2017), which was Sunday, October 15, 2017. *See* the Preliminary Scope Decision Memorandum at 6. Therefore, the actual deadline for the scope case briefs was Monday, October 16, 2017. *See* 19 CFR 351.303(b)(1) ("For both electronically filed and manually filed documents, if the applicable due date falls on a non-business day, the Secretary will accept documents that are filed on the next business day."). The deadline for the scope rebuttal brief was Monday, October 23, 2017.
[25] *See Initiation Notice*, 82 FR at 21524.
[26] *See* the petitioner's Letter, "Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam – Petitioner's Product Characteristic Comments" dated May 16, 2017, Geelong's Letter, "Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Product Characteristic Comments" dated May 16, 2017, Harbor Freight Tools USA, Inc.'s Letter, "Certain Tool Chests and Cabinets from the People's Republic of China: Proposed Product Matching Characteristics" dated May 16, 2017, and Geelong's Rebuttal Letter, "Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Product Characteristic Rebuttal Comments" dated May 23, 2017.
[27] *See* the AD questionnaire to Geelong and The Tongrun Single Entity dated June 12, 2017.

weighted-average dumping margin determinations because of the large number of exporters and producers involved in the investigation. Pursuant to section 777A(c)(2) of the Act, the Department may limit its examination to: (A) a sample of exporters, producers or types of products that the Department determines is statistically valid based on the information available to the Department at the time of selection; or (B) exporters and producers accounting for the largest volume of the subject merchandise from the exporting country that the Department determines can be reasonably examined. In this AD proceeding, because of the large number of companies involved in the investigation and its limited resources, the Department selected respondents that account for the largest volume of the subject merchandise that can reasonably be examined, pursuant to section 777A(c)(2)(B) of the Act.

In the *Initiation Notice*, the Department stated its intent to base respondent selection on the responses to Q&V questionnaires.[28] On May 2, 2017, the Department issued the Q&V questionnaire to companies identified in the Petition.[29] In addition, the Department posted the Q&V questionnaire on its website and, in the *Initiation Notice*, invited parties that did not receive a Q&V questionnaire from the Department to file a response to the Q&V questionnaire by the applicable deadline if they wished to be included in the pool of companies from which the Department would select mandatory respondents.[30] We received 21 timely Q&V questionnaire responses.[31] However, 31 companies within the PRC-wide entity received the Q&V questionnaire but failed to respond to the Department's request for Q&V information.[32] On June 8, 2017, the Department limited the number of respondents selected for individual examination to the two exporters accounting for the largest volume of exports from the PRC to the United States during the POI that could be reasonably examined, *i.e.*, Geelong and the Tongrun Single Entity.[33]

VII. AFFILIATION AND SINGLE ENTITY

Section 771(33) of the Act, in pertinent parts, identifies persons that shall be considered "affiliated" or "affiliated persons" as, *inter alia*, "{a}ny person directly or indirectly owning, controlling, or holding with power to vote, 5 percent or more of the outstanding voting stock or shares of any organization and such organization,"[34] or "{t}wo or more persons directly or indirectly controlling, controlled by, or under common control with, any person."[35] Section 771(33) of the Act further stipulates that "a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the

[28] *See Initiation Notice*, 82 FR at 21527.
[29] *See* Q&V Questionnaire.
[30] *See Initiation Notice*, 82 FR at 21527, and Q&V Questionnaire.
[31] *See* Respondent Selection Memorandum at Attachment for the list of all companies that filed their response to the Q&V Questionnaire.
[32] *See* Memorandum, "Quantity & Value Questionnaires: Delivery Confirmation" dated May 16, 2017. *See also* Respondent Selection Memorandum at 2.
[33] *See* Respondent Selection Memorandum.
[34] *See* section 771(33)(E) of the Act.
[35] *See* section 771(33)(F) of the Act.

other person," and the SAA[36] states that control may be found to exist within corporate groupings.[37] In determining whether control over another person exists on the basis of a corporate grouping, the Department will not find that control exists unless the relationship has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise or foreign like product.[38]

The criteria for treating affiliated producers as a single entity for purposes of AD proceedings is outlined in 19 CFR 351.401(f). To the extent that the Department's practice does not conflict with section 773(c) of the Act, the Department has, in prior cases, treated certain NME exporters and/or producers as a single entity if the facts of the case supported such treatment.[39] The Department will treat affiliated producers as a single entity if they have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities and the Department concludes that there is a significant potential for the manipulation of price or production.[40]

In identifying a significant potential for manipulation, the Department may consider factors including the level of common ownership;[41] "{t}he extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm;[42] and "{w}hether operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers."[43] The Department considers these criteria in light of the totality of the circumstances; no one factor is dispositive in determining whether to collapse the producers.[44] Also, while 19 CFR 351.401(f) applies only to producers, the Department has found it to be instructive in determining whether non-producers should be collapsed or treated as a single entity and has used the regulatory criteria in its analysis.[45]

---

[36] *See* The Statement of Administrative Action accompanying the Uruguay Round Agreements Act (SAA), H.R. Doc. 103-316 (1994).
[37] *See* SAA at 838 (stating that control may exist within the meaning of section 771(33) of the Act in the following types of relationships: (1) corporate or family groupings, (2) franchises or joint ventures, (3) debt financing, and (4) close supplier relationships in which either party becomes reliant upon the other).
[38] *See* 19 CFR 351.102(b)(3).
[39] *See*, *e.g.*, *Seamless Refined Copper Pipe and Tube from the People's Republic of China: Preliminary Results of Administrative Review; 2014-2015*, 81 FR 90322 (December 14, 2016), and accompanying Preliminary Decision Memorandum at 5, unchanged in *Seamless Refined Copper Pipe and Tube from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 82 FR 27688 (June 16, 2017).
[40] *See* 19 CFR 351.401(f)(1).
[41] *See* 19 CFR 351.401(f)(2)(i).
[42] *See* 19 CFR 351.401(f)(2)(ii).
[43] *See* 19 CFR 351.401(f)(2)(iii).
[44] *See Koyo Seiko Co., Ltd. v. United States*, 516 F. Supp. 2d 1323, 1346 (CIT 2007), citing *Light Walled Rectangular Pipe and Tube from Turkey; Notice of Final Determination of Sales at Less Than Fair Value*, 69 FR 53675 (September 2, 2004) and accompanying Issues and Decision Memorandum (I&D Memo) at Comment 10.
[45] *See*, *e.g.*, *Honey from Argentina: Preliminary Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review*, 77 FR 1458, 1461-62 (January 10, 2012), unchanged in *Honey from Argentina: Final Results of Antidumping Duty Administrative Review*, 77 FR 36253 (June 18, 2012); and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from Brazil*, 69 FR 76910 (December 23, 2004) and accompanying I&D Memo at Comment 5. Collapsing

The companies comprising the Tongrun Single Entity, *i.e.*, Jiangsu Tongrun, Changshu Taron, Changshu Tongrun, and Shanghai Tongrun, provided a joint response to the Department's questionnaire and stated that they are affiliates.[46] The Tongrun Single Entity reported that: (1) Jiangsu Tongrun is a producer and exporter of subject merchandise; (2) Changshu Taron is a producer and exporter of subject merchandise; (3) Changshu Tongrun is a producer of subject merchandise; and (4) Shanghai Tongrun is an exporter of subject merchandise.[47] We preliminarily find that these four companies are affiliated under section 771(33)(E) and (F) of the Act. Specifically, Jiangsu Tongrun is affiliated with Changshu Taron and Changshu Tongrun under 771(33)(E) of the Act because Jiangsu Tongrun indirectly owns more than five percent of Changshu Taron and Changshu Tongrun. Jiangsu Tongrun, Changshu Taron, Changshu Tongrun, and Shanghai Tongrun are affiliated under section 771(33)(F) of the Act because they are controlled by a common shareholder. Changshu Tongrun, Changshu Taron, and Changshu Tongrun are producers of the subject merchandise and, thus, do not require substantial retooling to restructure manufacturing priorities. We have also determined that there is a significant potential for manipulation of price or production among these companies as evidenced by the level of common ownership, the degree of management overlap, and the intertwined nature of the operations among these companies.[48]

As further explained in the Preliminary Collapsing Memorandum, and in accordance with 19 CFR 351.401(f) and the Department's practice,[49] we are treating the companies comprising the Tongrun Single Entity, *i.e.*, Jiangsu Tongrun, Changshu Taron, Changshu Tongrun, and Shanghai Tongrun, as a single entity for purposes of this preliminary determination.[50]

VIII. DISCUSSION OF THE METHODOLOGY

A. Non-Market Economy Country

The Department considers the PRC to be a non-market economy (NME) country.[51] In

---

exporters is consistent with a "reasonable interpretation of the antidumping duty statute." *See Hontex Enterprises, Inc. v. United States*, 248 F. Supp. 2d. 1323, 1338 (CIT 2003).

[46] *See* Memorandum, "Certain Tool Chests and Cabinets from the People's Republic of China: Preliminary Collapsing Memorandum for the Tongrun Single Entity" dated concurrently with this Preliminary Decision Memorandum (Preliminary Collapsing Memorandum) at 2-3 for more details that contain the Tongrun Single Entity's business proprietary information.

[47] *Id.*

[48] *Id.*

[49] *See*, *e.g.*, *Notice of Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil*, 64 FR 38756, 38778 (July 19, 1999) (noting that 19 CFR 351.402(f)(2) does not state that all three factors need to be present in order to find a significant potential for the manipulation of price or production).

[50] *See* Preliminary Collapsing Memorandum for a full analysis containing the Tongrun Single Entity's business proprietary information.

[51] *See Antidumping Duty Investigation of Certain Aluminum Foil From the People's Republic of China: Affirmative Preliminary Determination of Sales at Less-Than-Fair Value and Postponement of Final Determination,* 82 FR 50858, 50861 (November 2, 2017) and accompanying decision memorandum, *China's Status as a Non-Market Economy*.

accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the Department. Therefore, we continue to treat the PRC as an NME country for purposes of this preliminary determination.

B. Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base normal value (NV), in most circumstances, on the NME producer's factors of production (FOPs), valued in a surrogate market economy (ME) country or countries considered to be appropriate by the Department. Specifically, in accordance with section 773(c)(4) of the Act, in valuing the 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."[52] As a general rule, the Department selects a surrogate country that is at the same level of economic development as the NME, unless it is determined that none of the countries are viable options because they either: (a) are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available SV data, or (c) are not suitable for use based on other reasons. Surrogate countries that are not at the same level of economic development as the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development. To determine which countries are at the same level of economic development as the NME, the Department generally relies on per capita gross national income (GNI) data from the World Bank's World Development Report.[53] Further, the Department normally values all FOPs in a single surrogate country.[54]

On May 22, 2017, the Department identified Brazil, Bulgaria, Mexico, Romania, South Africa, and Thailand as countries that are at the same level of economic development as the PRC based on per capita 2015 GNI data.[55] On June 1, 2017, the Department issued a letter to interested parties soliciting comments on the list of countries that the Department determined, based on per capita 2015 GNI, to be at the same level of economic development as the PRC, and the selection of the primary surrogate country, as well as providing deadlines for the consideration of any submitted SV information for the preliminary determination.[56] In response, the petitioner and the Tongrun Single Entity recommended Thailand[57] and Geelong recommended Bulgaria[58] as the primary surrogate country in this investigation.

---

[52] For a description of our practice, *see* Policy Bulletin No. 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (Policy Bulletin 04.1) available on the Department's website at http://enforcement.trade.gov/policy/bull04-1.html.
[53] *Id*.
[54] *See* 19 CFR 351.408(c)(2).
[55] *See* Office of Policy Memorandum.
[56] *See* Surrogate Country and Values Comments Invitation Letter.
[57] *See* the petitioner's SV Comments 1 and 2 and the Tongrun Single Entity's SV Comments 1 and 2.
[58] *See* Geelong's SV Comments 1.

1. Economic Comparability

Consistent with its practice, and section 773(c)(4) of the Act, and as stated above, the Department identified Brazil, Bulgaria, Mexico, Romania, South Africa, and Thailand as countries at the same level of economic development as the PRC based on the *per capita* GNI data from the World Bank's World Development Report.[59] Therefore, we consider all six countries as having met this prong of the surrogate country selection criteria. The countries identified are not ranked and are considered equivalent in terms of economic comparability.

2. Significant Producer of Comparable Merchandise

Section 773(c)(4)(B) of the Act requires the Department, to the extent possible, 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 04.1 for guidance on defining comparable merchandise. The Policy Bulletin 04.1 states that "in all cases, if identical merchandise is produced, the country qualifies as a producer of comparable merchandise."[60] Conversely, if identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.[61] Further, when selecting a surrogate country, the statute requires the Department to consider the comparability of the merchandise, not the comparability of the industry.[62] "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 depends on the subject merchandise."[63] 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.[64]

---

[59] *See* Office of Policy Memorandum.
[60] *See* Policy Bulletin 04.1 at 2.
[61] The Policy Bulletin 04.1 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.
[62] *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.").
[63] *See* Policy Bulletin 04.1 at 2.
[64] *Id.*, at 3.

Further, the statute grants the Department discretion to examine various data sources for determining the best available information.[65] Moreover, while the legislative history provides that the term "significant producer" includes any country that is a significant "net exporter,"[66] it does not preclude reliance on additional or alternative metrics. It is the Department's practice is to evaluate whether production is significant based on characteristics of world production of, and trade in, comparable merchandise (subject to the availability of data on these characteristics).[67] In this case, because production data of comparable merchandise are not available, we analyzed exports of comparable merchandise from the six countries, as a proxy for production data.[68] We obtained export data from the GTA for entries made under the Harmonized Tariff Schedule (HTS) subheadings 9403.20: "Other Metal Furniture" and 7326.90: "Other Articles of Iron or Steel, Other" (these HTS subheadings incorporate subject merchandise reportable under Harmonized Tariff Schedule of the United States categories 9403.20.0021, 9403.20.0026, 9403.20.0030, 7326.90.8688 and 7326.90.3500).[69] All six potential surrogate countries reported export volumes of comparable merchandise in the POI. As such, we find that all six potential surrogate countries meet the "significant producer" requirement of section 773(c)(4) of the Act.[70]

3. Data Availability

If more than one potential surrogate country satisfies the statutory requirements for selection as a surrogate country, the Department selects the primary surrogate country based on data availability and reliability.[71] When evaluating SV data, the Department considers several criteria including whether the SV data are publicly available, contemporaneous with the period under consideration, broad-market averages, tax and duty-exclusive, and specific to the inputs being valued.[72] There is no hierarchy among these criteria.[73] The Department's preference is to satisfy the breadth of these aforementioned selection criteria.[74] Moreover, it is the Department's practice to carefully consider the available evidence in light of the particular facts of each

---

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

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

[67] *See Xanthan Gum from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 2252 (January 10, 2013) and accompanying Preliminary Decision Memorandum at 4-7, unchanged in *Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013).

[68] *See* Memorandum, "Certain Tool Chests and Cabinets from the People's Republic of China: Surrogate Values for the Preliminary Affirmative Determination of Sales at Less Than Fair Value," dated concurrently with this memorandum (Preliminary SV Memorandum), at Exhibit 1.

[69] *Id. See also* the petitioner's SC Comments at 4 and Geelong's SC Comments at Exhibits 1 and 2.

[70] *Id.*

[71] *See* Policy Bulletin 04.1.

[72] *Id.*

[73] *See*, *e.g.*, *Certain Preserved Mushrooms from the People's Republic of China: Final Results and Final Partial Rescission of the Sixth Administrative Review*, 71 FR 40477 (July 17, 2006) (*Mushrooms China*) and accompanying I&D Memo at Comment 1.

[74] *See*, *e.g.*, *Certain Frozen Fish Fillets from the Socialist Republic of Vietnam: Final Results of Antidumping Duty Administrative Review and New Shipper Reviews*, 2010-2011, 78 FR 17350 (March 21, 2013) (*Frozen Fish Fillets March 2013*), and accompanying I&D Memo at Comment I(C).

industry when undertaking its analysis of valuing the FOPs.[75] The Department must weigh the available information with respect to each input value and make a product-specific and case-specific decision as to what constitutes the "best" available SV for each input.[76]

The petitioner and the Tongrun Single Entity placed data on the record from Thailand, while,[77] Geelong placed data on the record from Bulgaria.[78] The Department finds that the Thai data are the best available data for valuing the two individually investigated respondents' FOPs because we have complete, publicly-available, contemporaneous, specific Thai data for most of the inputs used by the two individually investigated respondents to produce the subject merchandise during the POI, whereas Geelong placed the Bulgarian data on the record for the valuation of Geelong's inputs only.[79] At least one of the Thai surrogate financial statements on the record is from a Thai producer of comparable merchandise and includes publicly-available statements that are contemporaneous with the POI,[80] whereas the Bulgarian financial statements we have on the record of this investigation predate the POI by 10 months and the Bulgarian financial statements came from a producer of non-comparable merchandise.[81] Therefore, the Department preliminarily determines that the Thai data are the best available surrogate value data.

Given the above facts, the Department selects Thailand as the primary surrogate country for this investigation. Thailand is at the level of economic development of the PRC, is a significant producer of comparable merchandise, and generally has reliable and usable SV data. A detailed description of the SVs selected by the Department is provided below in the "Factor Valuation Methodology" section of this notice.

C. Surrogate Value Comments

On August 18, 2017, the petitioner, Geelong, and the Tongrun Single Entity filed surrogate factor valuation comments and SV information with which to value the FOPs in this proceeding.[82] On September 1, 2017, Geelong filed rebuttal surrogate factor valuation comments and surrogate value information.[83] The petitioner and the Tongrun Single Entity filed additional surrogate factor valuation comments and SV information on October 10, 2017, pursuant to 19 CFR 351.301(c)(3)(i) and rebuttals thereof on October 20, 2017, pursuant to 19

[75] *See Mushrooms China* and accompanying I&D Memo at Comment 1.
[76] *Id.*
[77] *See* the petitioner's SV Comments 1 and 2 and the Tongrun Single Entity's SV Comments 1 and 2.
[78] *See* Geelong's SV Comments 1.
[79] *Compare* the petitioner's SV Comments 1 and 2 and the Tongrun Single Entity's SV Comments 1 and 2 with Geelong's SV Comments 1. There are two types of packing materials that Geelong used for which we have Bulgarian average unit prices but not Thai average unit prices. We valued those packing materials using the Bulgarian SVs Geelong provided. *See* Geelong's SV Comments 1 at Attachment 1 and the Preliminary SV Memorandum at Exhibit 2.
[80] *See* the petitioner's SV Comments at Attachment 6.
[81] *See* Geelong's SV Comments 1 at Attachment 11.
[82] *See* the petitioner's SV Comments 1 and 2, the Tongrun Single Entity's SV Comments 1 and 2, and Geelong's SV Comments 1.
[83] *See* Geelong's SV Rebuttal Comments.

CFR 351.301(c)(3)(iv).[84] For a detailed discussion of the SVs used in this AD investigation, *see* the "Factor Valuation Methodology" section below and the Preliminary SV Memorandum.

D. Separate Rates

In proceedings involving NME countries, the Department maintains a rebuttable presumption that all companies within the country are subject to government control and, therefore, should be assessed a single weighted-average dumping margin.[85] In the *Initiation Notice*, the Department notified parties of the application process by which exporters may obtain separate rate status in this investigation.[86] The process requires exporters to submit a SRA[87] and to demonstrate an absence of both *de jure* and *de facto* government control over their export activities. In the *Initiation Notice*, the Department required that "that respondents submit a response to both the Q&V questionnaire and the separate-rate application by their respective deadlines in order to receive consideration for separate-rate status."[88]

The Department's policy is to assign all exporters of merchandise under consideration that are in an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate.[89] The Department analyzes whether each entity exporting the merchandise under consideration is sufficiently independent under a test established in *Sparklers*[90] and further developed in *Silicon Carbide.*[91] According to this separate rate test, the Department will assign a separate rate in NME proceedings if a respondent can demonstrate the absence of both *de jure* and *de facto* government control over its export activities. If, however, the Department determines that a company is wholly foreign-owned, then a separate rate analysis is not necessary to determine whether that company is independent from government control and eligible for a separate rate.

The Department continues to evaluate its practice with regard to the separate rates analysis in light of the diamond sawblades from the PRC AD proceeding, and its determinations therein.[92]

---

[84] *See* the petitioner's SV Comments 2 and SV Rebuttal Comments and the Tongrun Single Entity's SV Comments 2 and SV Rebuttal Comments.
[85] *See*, *e.g.*, *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 55039, 55040 (September 24, 2008).
[86] *See Initiation Notice*, 82 FR at 21527-28.
[87] *See* Policy Bulletin 05.1: Separate Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (April 5, 2005) (Policy Bulletin 05.1), available at http://enforcement.trade.gov/policv/bull05-1.pdf.
[88] *See Initiation Notice*, 82 FR at 21528.
[89] *See Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China*, 56 FR 20588, 20589 (May 6, 1991) (*Sparklers*).
[90] *Id.*
[91] *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*).
[92] *See* Final Results of Redetermination pursuant to *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 885 F. Supp. 2d 1343 (CIT 2012) (*Advanced Technology I*), and available at http://enforcement.trade.gov/remands/12-147.pdf, *aff'd Advanced Technology & Materials Co., Ltd., et al. v. United States*, 938 F. Supp. 2d 1342 (CIT 2013), *aff'd Advanced Technology & Materials Co., Ltd., et al. v. United States*, Case No. 2014-1154 (Fed. Cir. 2014) (*Advanced Technology II*). *See also Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*,

In particular, in litigation involving the diamond sawblades from the PRC proceeding, the U.S. Court of International Trade (CIT) found the Department's existing separate rates analysis deficient in the circumstances of that case, in which a government-owned and controlled entity exercised control over the respondent exporter.[93] Following the CIT's reasoning, in recent proceedings, we have concluded that where a government entity holds a majority equity ownership, either directly or indirectly, in the respondent exporter, this interest in and of itself means that the government exercises or has the potential to exercise control over the company's operations generally.[94] This may include control over, for example, the selection of board members and management, key factors in determining whether a company has sufficient independence in its export activities to merit a separate rate. Consistent with our normal separate rate practice, any ability to control, or possess an interest in controlling, the operations of the company (including the selection of board members, management, and the profit distribution of the company) by a government entity is subject to the Department's rebuttable presumption that all companies within the NME country are subject to government control.

In the *Initiation Notice*, we stated that SRAs would be due 30 days after publication of the notice, *i.e.*, June 8, 2017. As noted above, Geelong and the Tongrun Single Entity submitted responses to section A of the AD questionnaire, in which each company submitted information pertaining to its eligibility for a separate rate.[95] Furthermore, the Department received timely filed SRAs from the following applicants:

Geelong
The Tongrun Single Entity
Changzhou Machan Steel Furniture Co., Ltd.
Guangdong Hisense Home Appliances Co., Ltd.
Hyxion Metal Industry
Jin Rong Hua Le Metal Manufactures Co., Ltd.
Ningbo Safewell International Holding Corp.
Pinghu Chenda Storage Office Equipment Co., Ltd.
Pooke Technology Co., Ltd.

---

78 FR 77098 (December 20, 2013) and accompanying Preliminary Decision Memorandum at 7, unchanged in *Diamond Sawblades and Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 35723 (June 24, 2014), and accompanying I&D Memo at Comment 1.

[93] *See*, *e.g.*, *Advanced Technology I*, 885 F. Supp. 2d at 1349 (CIT 2012) ("The court remains concerned that Commerce has failed to consider important aspects of the problem and offered explanations that run counter to the evidence before it."); *Id*., at 1351 ("Further substantial evidence of record does not support the inference that SASAC's {state-owned assets supervision and administration commission} 'management' of its 'state-owned assets' is restricted to the kind of passive-investor de jure 'separation' that Commerce concludes.") (footnotes omitted); *Id*., at 1355 ("The point here is that 'governmental control' in the context of the separate rate test appears to be a fuzzy concept, at least to this court, since a 'degree' of it can obviously be traced from the controlling shareholder, to the board, to the general manager, and so on along the chain to 'day-to-day decisions of export operations,' including terms, financing, and inputs into finished product for export."); *Id*., at 1357 ("AT&M itself identifies its 'controlling shareholder' as CISRI {owned by SASAC} in its financial statements and the power to veto nomination does not equilibrate the power of control over nomination.") (footnotes omitted).

[94] *See Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Preliminary Affirmative Determination of Critical Circumstances, in Part*, 79 FR 53169 (September 8, 2014), and accompanying Preliminary Decision Memorandum at 5-9.

[95] *See* Geelong's Section A Response dated August 9, 2017, and the Tongrun Single Entity's Section A Response dated July 11, 2017.

Shanghai All-Fast International Trade Co., Ltd.
Shanghai All-Hop Industry Co., Ltd.
Trantex Product (Zhong Shan) Co., Ltd.

The Department issued supplemental questionnaires and received supplemental responses from these separate rate applicants.

1. Separate Rate Analysis

The Department is preliminarily granting the following companies a separate rate, as explained below.

a. Wholly Foreign-Owned

Geelong, Changzhou Machan Steel Furniture Co., Ltd., and Trantex Product (Zhong Shan) Co., Ltd., reported that they are wholly owned by market economy companies located in market economy countries. We preliminarily find these companies eligible for a separate rate.

b. Joint Ventures Between Chinese and Foreign Companies or Wholly Chinese-Owned Companies

The companies listed below reported that they are either wholly owned by Chinese companies or joint ventures between Chinese and foreign companies:

The Tongrun Single Entity
Guangdong Hisense Home Appliances Co., Ltd.
Hyxion Metal Industry
Jin Rong Hua Le Metal Manufactures Co., Ltd.
Ningbo Safewell International Holding Corp.
Pinghu Chenda Storage Office Equipment Co., Ltd.
Pooke Technology Co., Ltd.
Shanghai All-Fast International Trade Co., Ltd.
Shanghai All-Hop Industry Co., Ltd.

Therefore, the Department must analyze whether these respondents can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

2. 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 an individual exporter's business and export licenses; (2) legislative enactments decentralizing control over export activities of the companies; and (3) other formal measures by the government decentralizing control over export activities of companies.[96]

[96] *See Sparklers*, 56 FR at 20589.

The evidence placed on the record of this investigation with respect to the wholly or partially Chinese-owned companies listed in this section supports a preliminary finding of an absence of *de jure* government control for each of these companies based on the following: (1) an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) the existence of applicable legislative enactments decentralizing control of companies; and (3) the implementation of formal measures by the government decentralizing control of Chinese companies.[97]

3. Absence of *De Facto* Control

Typically, the Department considers four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the 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 the disposition of profits or financing of losses.[98] The Department has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of government control which would preclude the Department from assigning separate rates.

The evidence placed on the record of this investigation with respect to the wholly or partially Chinese-owned companies listed in this section supports a preliminary finding of an absence of *de facto* government control based on record statements and supporting documentation showing that the companies: (1) set their own prices independent of the government and without the approval of a government authority; (2) have the authority to negotiate and sign contracts and other agreements; (3) maintain autonomy from the government in making decisions regarding the selection of management; and (4) retain the proceeds of their respective export sales and make independent decisions regarding disposition of profits or financing of losses.[99]

Therefore, the evidence placed on the record of this investigation with respect to the wholly or partially Chinese-owned companies listed in this section demonstrates an absence of *de jure* and *de facto* government control under the criteria identified in *Sparklers* and *Silicon Carbide*. Accordingly, the Department preliminarily grants separate rates to the separate rate applicants identified above.

---

[97] *See* Geelong's Section A Response dated August 9, 2017, and the Tongrun Single Entity's Section A Response dated July 11, 2017. *See also* SRAs from the applicants for which we preliminarily find eligible for a separate rate.

[98] *See Silicon Carbide*, 59 FR at 22586-87, and *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).

[99] *See* Geelong's Section A Response dated August 9, 2017, and the Tongrun Single Entity's Section A Response dated July 11, 2017. *See also* SRAs from the applicants for which we preliminarily find eligible for a separate rate.

4. Companies Not Receiving a Separate Rate

The Department preliminarily denied a separate rate to the following separate rate applicants:

Changshu Zhongcheng Tool Box Co., Ltd.
Jinhua JG Tools Manufacturing Co., Ltd.
Jinhua Yahu Tools Co., Ltd.
Meridian International Co., Ltd.
Shanghai ITPC Hardware Co., Ltd.
Shanghai Legsteel Metal Products Co., Ltd.
Suzhou Xindadi Hardware Co., Ltd.
Taixing Hutchin Mfg. Co., Ltd.
Yangzhou Triple Harvest Power Tools Limited
Zhejiang Limai Metal Products Co., Ltd.

The Department preliminarily denied the separate rate status for Shanghai Legsteel Metal Products Co., Ltd. (Shanghai Legsteel), because it filed its Q&V response in an untimely manner[100] and, thus, is ineligible for a separate rate.[101] The other nine separate rate applicants listed above filed their SRAs in an untimely manner. For this reason, we rejected their SRAs and, with no timely filed SRAs on the record for them, denied their requests for a separate rate.[102] Moreover, because Zhejiang Limai Metal Products Co., Ltd., did not file its Q&V response, this is another basis on which it is not eligible for a separate rate even if it filed its SRA in a timely manner.[103]

[100] *See* the Department's Letters to Shanghai Legsteel dated June 1, 2017, and July 28, 2017, rejecting Shanghai Legsteel's Q&V response and SRA, respectively.
[101] *See Initiation Notice*, 82 FR at 21528 ("The Department requires that respondents submit a response to both the Q&V questionnaire and the separate-rate application by their respective deadlines in order to receive consideration for separate-rate status.").
[102] *See* the Department's Letter to the nine separate rate applicants dated June 15, 2017, rejecting their SRAs, the nine separate rate applicants' first request for reconsideration dated June 16, 2017, the Department's Letter to the nine separate rate applicants dated July 7, 2017, denying the first reconsideration request, the nine separate rate applicants' second request for reconsideration dated July 10, 2017, and the Department's Letter to the nine separate rate applicants dated August 9, 2017, denying the second reconsideration request. In the August 9, 2017, letter denying the second request for reconsideration, the Department stated, "Nothing in the Microsoft website explains, nor did you explain in the narrative of the first request for reconsideration, that this alleged server error is related to your filings of these SRAs." The nine separate rate applicants filed a letter on August 14, 2017, that this statement is incorrect because they claimed in its first request for reconsideration that a server error is the cause of untimely filings of their SRAs. *See* the nine separate rate applicants' third request for reconsideration dated August 14, 2017. We clarify that nothing in the Microsoft website explains that the server error alleged by the nine separate rate applicants is related to their filings of these SRAs and nothing in the narrative of the first request for reconsideration describes how the Microsoft website explains the alleged server error is related to their filings of the SRAs.
[103] *See Initiation Notice*, 82 FR at 21528 ("The Department requires that respondents submit a response to both the Q&V questionnaire and the separate-rate application by their respective deadlines in order to receive consideration for separate-rate status.").

E. Dumping Margin for the Separate Rate Companies

The statute and the Department's regulations do not address the establishment of a rate to be applied to individual companies not selected for individual examination when the Department limits its examination in an investigation pursuant to section 777A(c)(2) of the Act. Generally, the Department looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation for guidance when calculating the rate for separate rate respondents which we did not individually examine. Section 735(c)(5)(A) of the Act articulates a preference that we not calculate an all-others rate using rates which are zero, *de minimis* or based entirely on facts available. Accordingly, the Department's usual practice has been to average the weighted-average dumping margins for the individually examined companies, excluding rates that are zero, *de minimis*, or based entirely on facts available.[104] Section 735(c)(5)(B) of the Act also provides that, where all rates are zero, *de minimis*, or based entirely on facts available, we may use "any reasonable method" for assigning the all-others rate, including "averaging the estimated weighted-average dumping margins determined for the exporters and producers individually investigated."

In this investigation, we calculated a rate for the two individually investigated respondents that are not zero, *de minimis*, or based entirely on facts available. The weighted average of the rates of these two companies are applicable to companies not selected for individual examination and eligible for a separate rate. For non-selected respondents eligible for a separate rate, we cannot apply our normal methodology of calculating a weighted-average margin using the actual net U.S. sales values and antidumping duty amounts of Geelong and the Tongrun Single Entity because doing so could indirectly disclose business proprietary information to both of these companies. Alternatively, we have previously applied the simple average of the margins we determined for the selected companies.[105] In order to strike a balance between our duty to safeguard parties' business proprietary information and our attempt to adhere to the guidance set forth in section 735(c)(5)(A) of the Act, we calculated a weighted-average margin for non-selected separate rate respondents using the publicly available, ranged total U.S. sales values of the selected respondents, compared the resulting public, weighted-average margin to the simple average of the antidumping duty margins, and used the amount which is closer to the actual weighted-average margin of the selected respondents as the margin for the non-selected respondents.[106] Accordingly, for the preliminary determination of this investigation, we are assigning the weighted average of the two individually examined respondents' rates based on their publicly available, ranged U.S. sales values and dumping margins. The separate rate for the eligible non-selected respondents is 145.99 percent.

[104] *See Ball Bearings and Parts Thereof from France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and accompanying I&D Memo at Comment 16.
[105] *See, e.g., Ball Bearings and Parts Thereof from France, et al.: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008).
[106] *See Ball Bearings and Parts Thereof from France, et al.: Final Results of Antidumping Duty Administrative Reviews, Final Results of Changed-Circumstances Review, and Revocation of an Order in Part*, 75 FR 53661, 53662 (September 1, 2010), and the accompanying I&D Memo at Comment 1.

F. Combination Rates

Consistent with the *Initiation Notice*, the Department has calculated combination rates for the respondents that are eligible for a separate rate in this investigation.[107] This practice is described in Policy Bulletin 05.1.

G. The PRC-Wide Entity

As discussed above, the separate rate applicants for which we are preliminarily denying separate rate eligibility failed to establish entitlement to a separate rate. Because these companies have not demonstrated that they are eligible for separate rate status, the Department considers them part of the PRC-wide entity. Further, the record indicates that there are other PRC exporters and/or producers of the merchandise under consideration during the POI which did not respond to the Department's requests for information. Specifically, as noted in the "Selection of Respondents" section, above, the Department did not receive responses to its Q&V questionnaire from certain PRC exporters and/or producers of the merchandise under consideration that were named in the Petition and received the Q&V questionnaires that the Department issued. Because non-responsive PRC companies have not demonstrated that they are eligible for separate rate status, the Department finds that they have not rebutted the presumption of government control and, therefore, considers them to be part of the PRC-wide entity. Furthermore, as explained below, we are determining the preliminary PRC-wide rate based on adverse facts available (AFA).

H. Application of Facts Available and Adverse Inferences

Section 776(a)(1) and (2) of the Act provides that, if necessary information is missing from the record, or if an interested party: (A) withholds information that has been requested by the Department, (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act, (C) significantly impedes a proceeding under the statute, or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

Where the Department determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that the Department will so inform the party submitting the response and will, to the extent practicable, provide that party an opportunity to remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, the Department may disregard all or part of the original and subsequent responses, as appropriate.

[107] *See Initiation Notice*, 82 FR at 21528.

The Trade Preferences Extension Act of 2015 (TPEA) amended section 776(b) and (c) of the Act and added section 776(d) of the Act,[108] which are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to this investigation.[109]

Section 776(b) of the Act provides that the Department may use an adverse inference in applying the facts otherwise available when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. In doing so, and under the TPEA, the Department is not required to determine, or make any adjustments to, a weighted-average dumping margin based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information. Further, section 776(b)(2) states that an adverse inference may include reliance on information derived from the petition, the final determination from the antidumping duty investigation, a previous administrative review, or other information placed on the record.

Section 776(c) of the Act provides that, in general, when the Department relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.[110] The TPEA also makes clear that when selecting an AFA margin, the Department is not required to estimate what the dumping margin would have been if the interested party failing to cooperate had cooperated or to demonstrate that the dumping margin reflects an "alleged commercial reality" of the interested party.

1. Use of Facts Available

The Department preliminarily finds that the PRC-wide entity, which includes certain PRC exporters and/or producers that did not respond to the Department's requests for information, withheld information requested by the Department and significantly impeded this proceeding by not submitting the requested information. Specifically, although eight of the nine separate rate applicants that filed their SRAs in an untimely manner submitted their Q&V responses in a timely manner,[111] 31 companies within the PRC-wide entity failed to respond to the

---

[108] *See* Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, *129 Stat. 362* (June 29, 2015) (TPEA). The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments contained to section 771(7) of the Act, which relate to determinations of material injury by the ITC. *See Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (*Application Notice*).

[109] *See Application Notice*, 80 FR at 46794-95. The 2015 amendments may be found at https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl.

[110] *See* SAA at 870.

[111] *See* the Q&V responses from Changshu Zhongcheng Tool Box Co., Ltd., Jinhua JG Tools Manufacturing Co., Ltd., Jinhua Yahu Tools Co., Ltd., Meridian International Co., Ltd., Shanghai ITPC Hardware Co., Ltd., Suzhou Xindadi Hardware Co., Ltd., Taixing Hutchin Mfg. Co., Ltd., and Yangzhou Triple Harvest Power Tools Limited dated May 11, 2017.

Department's request for Q&V information.[112] Thus, the PRC-wide entity, which encompasses the parties that failed to respond to the request for Q&V information, has withheld requested information, failed to provide such information in a timely manner or in the form or manner requested by the Department, and significantly impeded the proceeding. Therefore, the Department preliminarily determines that the use of facts available is warranted in determining the rate of the PRC-wide entity, pursuant to sections 776(a)(1) and (a)(2)(A)-(C) of the Act.[113]

2. Application of Facts Available with an Adverse Inference

Section 776(b) of the Act provides that in selecting from among the facts otherwise available, the Department may use an inference that is adverse to the interests of a party if that party has failed to cooperate by not acting to the best of its ability to comply with a request for information. The Department finds that the PRC-wide entity's lack of participation, including the failure of certain parts of the PRC-wide entity to submit Q&V information, constitutes circumstances under which it is reasonable to conclude that the PRC-wide entity as a whole failed to cooperate to the best of its ability to comply with the Department's request for information.[114] With respect to the missing information, no documents were filed indicating any difficulty providing the information, nor was there a request to allow the information to be submitted in an alternate form. Therefore, we preliminarily find that an adverse inference is warranted in selecting from among the facts otherwise available with respect to the PRC-wide entity, in accordance with section 776(b) of the Act and 19 CFR 351.308(a).[115]

3. Selection of the AFA Rate

In applying an adverse inference, the Department may rely on information derived from the petition, the final determination in the investigation, any previous review, or any other information placed on the record.[116] In selecting an AFA rate, the Department selects a rate that is sufficiently adverse to ensure that the uncooperative party does not obtain a more favorable result by failing to cooperate than if it had fully cooperated.[117] In an investigation, the Department's practice with respect to the assignment of an AFA rate is to select the higher of: (1) the highest dumping margin alleged in the petition; or (2) the highest calculated dumping margin of any respondent in the investigation.[118] In this investigation, because the preliminary

---

[112] *See* Memorandum, "Quantity & Value Questionnaires: Delivery Confirmation" dated 16, 2017. *See also* Respondent Selection Memorandum at 2.
[113] *See*, *e.g.*, *Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 4986, 4991 (January 31, 2003), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 37116 (June 23, 2003).
[114] *See Nippon Steel Corporation v. United States*, 337 F.3d 1373, 1383 (Fed. Cir. 2003) (noting that the Department need not show intentional conduct existed on the part of the respondent, but merely that a "failure to cooperate to the best of a respondent's ability" existed (*i.e.*, information was not provided "under circumstances in which it is reasonable to conclude that less than full cooperation has been shown.")).
[115] *See Nippon Steel Corp. v. United States*, 337 F.3d 1373, 1382-83 (Fed. Cir. 2003).
[116] *See* section 776(b) of the Act.
[117] *See* SAA at 870.
[118] *See*, *e.g.*, *Certain Uncoated Paper from Indonesia: Final Determination of Sales at Less Than Fair Value*, 81 FR

margin calculated for Geelong, 168.93 percent, is higher than the petition rate of 159.99 percent,[119] we preliminarily assigned the PRC-wide entity as AFA the rate of 168.93 percent. It is unnecessary to corroborate this rate because it was obtained in the course of this investigation and, therefore, is not secondary information.[120]

I. Date of Sale

In identifying the date of sale of the merchandise under consideration or foreign like product, the Department normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business.[121] Additionally, the Department may use a date other than the date of invoice if it is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.[122]

Geelong reported the commercial invoice date as the date of sale for export price (EP) and constructed export price (CEP) sales.[123] The Tongrun Single Entity reported the date of shipment as the date of sale for EP sales and the commercial invoice date as the date of sale for constructed export price (CEP) sales.[124] The Tongrun Single Entity demonstrated with supporting documentation that its commercial invoice date does not represent when the material terms of the EP sale are fixed and the shipment date better reflects the date of EP sales.[125] Consistent with 19 CFR 351.401(i), we preliminarily determine to use the commercial invoice date as the date of all sales for Geelong and CEP sales for the Tongrun Single Entity. Also, consistent with 19 CFR 351.401(i), because we have information on the record demonstrating that the commercial invoice date does not reflect the date on which the Tongrun Single Entity established the material terms of EP sales, we preliminarily determine to use the date of shipment as the date of sale for EP sales for the Tongrun Single Entity.

J. Comparisons to Fair Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Geelong's and the Tongrun Single Entity's sales of the subject merchandise from the

---

3101 (January 20, 2016).

[119] *See Initiation Notice*, 82 FR at 21527.

[120] *See* section 776(c) of the Act ("when the {Department} relies on *secondary information rather than on information obtained in the course of an investigation* or review, the {Department}, as the case may be, shall, to the extent practicable, corroborate that information from independent sources that are reasonably at their disposal (emphasis added).") (Emphasis added.). *See also*, *e.g.*, *Steel Concrete Reinforcing Bar from Taiwan: Final Determination of Sales at Less Than Fair Value*, 82 FR 34925 (July 27, 2017), and accompanying I&D Memo at 5-6 and Comment 4.

[121] *See* 19 CFR 351.401(i).

[122] *Id. See also Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001) (*Allied Tube & Conduit Corp.*) ("As elaborated by Department practice, a date other than invoice date 'better reflects' the date when 'material terms of sale' are established if the party shows that the 'material terms of sale' undergo no meaningful change (and are not subject to meaningful change) between the proposed date and the invoice date.").

[123] *See* Geelong's section C response dated July 31, 2017, at 21.

[124] *See* the Tongrun Single Entity's section C response dated August 1, 2017, at 14, section C supplemental response dated September 22, 2017, at 4-6.

[125] *See* the Tongrun Single Entity's section C response dated August 1, 2017, at 14-16, section C supplemental response dated September 22, 2017, at 3-6 and Exhibits SC-6, SC-10, SC-11, and SC-12., for more details containing the Tongrun Single Entity's business proprietary information.

PRC to the United States were made at less than fair value, the Department compared the EP and the CEPs to the NV as described in the "Export Price," "Constructed Export Price," and "Normal Value" sections of this memorandum.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (*i.e.*, the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping duty investigations, the Department examines whether to compare weighted-average NVs with the EPs (or CEPs) of individual sales (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.[126] The Department finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. 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 average-to-average method in calculating a respondent's weighted-average dumping margin.

The differential pricing analysis used in this preliminary determination examines whether there exists a pattern of EPs (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer codes. Regions are defined using the reported destination code (*i.e.*, zip code) 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 period of investigation based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region and time period, that the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

---

[126] *See, e.g., Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen's *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period 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 used to evaluate the extent to which the prices to the particular purchaser, region or time period differ significantly from the 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 (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen's *d* test, 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 average-to-transaction method to all sales as an alternative to the average-to-average 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 average-to-transaction method to those sales identified as passing the Cohen's *d* test as an alternative to the average-to-average method, and application of the average-to-average 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 average-to-average 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, the Department examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative comparison 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 average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison 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 margins between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or 2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in this preliminary determination, including arguments for modifying the group definitions used in this investigation.

2. Results of the Differential Pricing Analysis

For Geelong, based on the results of the differential pricing analysis, the Department preliminarily finds that 35.9 percent of the value of U.S. sales pass the Cohen's *d* test,[127] and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test. Thus, for this preliminary determination, the Department is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Geelong.

For the Tongrun Single Entity, based on the results of the differential pricing analysis, the Department preliminarily finds that 32.1 percent of the value of U.S. sales pass the Cohen's *d* test,[128] and 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 average-to-average method. Accordingly, the Department preliminarily determines to apply the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for the Tongrun Single Entity.

K. U.S. Price

1. Export Price Sales

In accordance with section 772(a) of the Act, the Department based the U.S. price of merchandise under consideration on EP for a portion of the sales reported by Geelong and a portion of the sales reported by the Tongrun Single Entity. The Department calculated EP based on the prices at which merchandise under consideration was sold to unaffiliated purchasers in the United States.

[127] *See* Memorandum, "Less-Than-Fair-Value Investigation of Certain Tool Chests and Cabinets from the People's Republic of China: Preliminary Determination Analysis Memorandum for Geelong." dated concurrently with this memorandum (Geelong Preliminary Analysis Memorandum).
[128] *See* Memorandum, "Less-Than-Fair-Value Investigation of Certain tool chests and cabinets from the People's Republic of China: Preliminary Determination Analysis Memorandum for the Tongrun Single Entity" dated concurrently with this memorandum (The Tongrun Single Entity Preliminary Analysis Memorandum).

The Department made deductions, as appropriate, from the reported U.S. price for movement expenses for Geelong and the Tongrun Single Entity, *e.g.*, foreign inland freight expenses and foreign brokerage and handling expenses.[129] The Department based movement expenses on SVs where the service was purchased from a PRC company.[130]

2. Constructed Export Price Sales

For a portion of Geelong's U.S. sales and a portion of the Tongrun Single Entity's U.S. sales, we based U.S. price on CEP, in accordance with section 772(b) of the Act, because sales were made on behalf of the PRC-based exporter by U.S. sales affiliates to unaffiliated customers in the United States. For these sales, we based CEP on prices to the first unaffiliated purchaser in the United States. Where appropriate, we made deductions from the starting price (gross unit price) for foreign movement expenses, international movement expenses, or U.S. movement expenses, in accordance with section 772(c)(2)(A) of the Act. Where foreign movement expenses, international movement expenses, or U.S. movement expenses were provided by PRC service providers or paid in renminbi, the Department valued these services using SVs.[131] For those expenses that were provided by an ME provider and paid for in an ME currency, we used the reported expense.

In accordance with section 772(d)(1) of the Act, we also deducted those selling expenses associated with economic activities occurring in the United States. We deducted, where appropriate, commissions, inventory carrying costs, credit expenses, warranty expenses, and indirect selling expenses.[132] Finally, we deducted CEP profit from U.S. price, in accordance with sections 772(d)(3) and 772(f) of the Act.

3. Value-Added Tax

In 2012, the Department announced a change of methodology with respect to the calculation of EP and CEP to include an adjustment of any irrecoverable value-added tax (VAT) in certain NME countries in accordance with section 772(c)(2)(B) of the Act.[133] 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.[134] Where the irrecoverable VAT is a

---

[129] *See* section 772(c)(2)(A) of the Act.
[130] *See* the Factor Valuation Methodology section below.
[131] *See* the Factor Valuations Methodology section below for further discussion.
[132] For a detailed description of all adjustments made to U.S. price for each company, *see* the Tongrun Single Entity Preliminary Analysis Memorandum due to the proprietary nature of certain adjustments to U.S. price.
[133] *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 (June 19, 2012).
[134] *Id. See also Chlorinated Isocyanurates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 4875 (January 30, 2014), and accompanying I&D Memo at Comment 5.A.

fixed percentage of EP or CEP, the Department explained that the final step in arriving at a tax-neutral dumping comparison is to reduce the EP or CEP downward by this same percentage.[135]

The Department's methodology, as explained above and applied in this investigation, incorporates two basic steps: (1) determine the irrecoverable VAT on subject merchandise, and (2) reduce U.S. price by the amount determined in step one. Information placed on the record of this investigation indicates that according to the PRC VAT schedule, the standard VAT levy is 17 percent and the rebate rates for the merchandise under consideration are nine percent for subject merchandise entered under HTS subheading 7326 and 15 percent for subject merchandise entered under HTS subheadings 8716 and 9403.[136] Consistent with the Department's standard methodology, for purposes of this preliminary determination we based the calculation of irrecoverable VAT on the difference between those standard rates, applied to a free-on-board price at the time of exportation.[137] Thus, because the VAT levy and VAT rebate rates on exports are different and the net results are eight percent for subject merchandise entered under HTS subheading 7326 and two percent for subject merchandise entered under HTS subheadings 8716 and 9403, the Department adjusted the two individually investigated respondents' U.S. sales for irrecoverable VAT.

L. Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using the 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 because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies.[138] Therefore, in accordance with sections 773(c)(3) and (4) of the Act and 19 CFR 351.408(c), the Department calculated NV based on FOPs. Under section 773(c)(3) of the Act, FOPs include, but are not limited to: (1) hours of labor required; (2) quantities of raw materials used; (3) amounts of energy and other utilities consumed; and (4) representative capital costs.[139]

---

[135] *Id.*

[136] *See* Geelong's section C response dated July 31, 2017, at 53 and Exhibits C-28a, C-28b, C-28c, and C-28d, the Tongrun Single Entity's section C response dated August 1, 2017, at 37-39 and Exhibits C-13, C-14, and C-15, and the Tongrun Single Entity's section C supplemental response dated October 18, 2017, at 5 and Exhibit S2-C5.

[137] *See Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2012-2013*, 80 FR 33241 (June 11, 2015), and accompanying I&D Memo at Comment 5.

[138] *See, e.g.*, *Preliminary Determination of Sales at Less Than Fair Value, Affirmative Critical Circumstances, In Part, and Postponement of Final Determination: Certain Lined Paper Products from the People's Republic of China*, 71 FR 19695, 19703 (April 17, 2006), unchanged in *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).

[139] *See* section 773(c)(3)(A)-(D) of the Act.

M. <u>Factor Valuation Methodology</u>

In accordance with section 773(c) of the Act, the Department calculated NV based on FOP data reported by the two individually investigated respondents. To calculate NV, the Department multiplied the reported per-unit FOP consumption rates by publicly available SVs. When selecting SVs, the Department considered, among other factors, the quality, specificity, and contemporaneity of the SV data.[140] As appropriate, the Department adjusted FOP costs by including freight costs to make them delivered values. Specifically, the Department added a surrogate freight cost, where appropriate, to surrogate input values using the shorter of the reported distance from the domestic supplier to the respondent's factory or the distance from the nearest seaport to the respondent's factory.[141] A detailed description of the SVs used can be found in the Preliminary SV Memorandum.[142]

1. Direct and Packing Materials

For the preliminary determination, the Department used Thai import data, as published by the Global Trade Atlas (GTA), and other publicly available sources from Thailand to calculate SVs for FOPs. In accordance with section 773(c)(1) of the Act, the Department used the best available information for valuing FOPs by selecting, to the extent practicable, SVs which are: (1) broad market averages, (2) product-specific, (3) tax-exclusive, non-export average values, and (4) contemporaneous with, or closest in time to, the POI.[143]

As noted in the "Surrogate Value Comments" and "Data Availability" sections above, the parties made several submissions regarding the appropriate surrogate valuation of the respondents' reported material FOPs. In instances where the parties disagree with respect to the particular Harmonized Tariff System (HTS) subheading under which a particular material input should be valued, the Department used an HTS subheading selection method based on the best match between the reported physical description and function of the input and the HTS subheading description.[144]

Pursuant to 19 CFR 351.408(c)(1), when a respondent sources inputs from an ME supplier, and that are produced in an ME country, in meaningful quantities (*i.e.*, not insignificant quantities) and pays in an ME currency, the Department uses the actual price paid by the respondent to value those inputs, except when prices may have been distorted by findings of dumping and/or

---

[140] *See*, *e.g.*, *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 40485 (July 15, 2008), and accompanying I&D Memo at Comment 9.
[141] *See Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997).
[142] *See* Preliminary SV Memorandum.
[143] *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).
[144] *See* Preliminary SV Memorandum for further discussion.

subsidization.[145] Where the Department finds ME purchases to be of significant quantities (*i.e.*, 85 percent or more), in accordance with our statement of policy,[146] the Department uses the actual purchase prices to value the inputs. Alternatively, when the volume of an NME firm's purchases of an input from ME suppliers during the period is below 85 percent of its total volume of purchases of the input during the period, but where these purchases are otherwise valid and there is no reason to disregard the prices, the Department will weight-average the ME purchase price with an appropriate SV, according to their respective shares of the total volume of purchases, unless case-specific facts provide adequate grounds to rebut the presumption. When a firm has made ME input purchases that may have been dumped or subsidized, are not *bona fide*, or are otherwise not acceptable for use in a dumping calculation, the Department will exclude them from the numerator of the ratio to ensure a fair determination of whether valid ME purchases meet the 85 percent threshold.[147] Geelong provided evidence that it had ME purchases of specific inputs during the POI.[148] The Department used Geelong's reported ME purchase data for those inputs, where appropriate, in the preliminary determination.[149] The Department also added freight expenses to Geelong's reported ME prices for those inputs, where appropriate.[150] The Tongrun Single Entity reported no input purchases from ME suppliers.[151]

The record shows that for the remaining inputs, Thai import data obtained through GTA, are broad market averages, product-specific, tax-exclusive, and generally contemporaneous with the POI.[152]

Pursuant to section 773(c)(5) of the Act and the Department's long-standing practice, the Department is disregarding SVs if it has a reason to believe or suspect the source data may comprise subsidized prices.[153] In this regard, the Department has previously found that it is appropriate to disregard such prices from India, Indonesia, South Korea, and Thailand because we have determined that these countries maintain broadly available, non-industry specific export subsidies.[154] Based on the existence of the subsidy programs that were generally available to all exporters and producers in these countries at the time of the POI, the Department finds that it is

---

[145] *See, e.g., Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27366 (May 19, 1997).
[146] *See Use of Market Economy Input Prices in Nonmarket Economy Proceedings*, 78 FR 46799 (August 2, 2013).
[147] *Id*.
[148] *See* Geelong's section D response dated August 8, 2017, at 9 and Exhibit D-6.
[149] *See* Preliminary SV Memorandum.
[150] *See* the Tongrun Single Entity Preliminary Analysis Memorandum.
[151] *See* the Tongrun Single Entity's section D response dated August 7, 2017, at 6.
[152] *See* Preliminary SV Memorandum.
[153] *See* section 773(c)(5) of the Act, as amended in section 505 of the TPEA to permit the Department to disregard price or cost values without further investigation if it has determined that certain subsidies existed with respect to those values. *See also Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793, 46795 (August 6, 2015).
[154] *See*, *e.g.*, *Certain Frozen Warmwater Shrimp from India: Final Results of Antidumping Duty Administrative Review and Final No Shipment Determination; 2011-2012*, 78 FR 42492 (July 16, 2013), and accompanying I&D Memo at 7-19. *See also Certain Lined Paper Products from Indonesia: Final Results of the Expedited Sunset Review of the Countervailing Duty Order*, 76 FR 73592 (November 29, 2011), and accompanying I&D Memo at 1, *Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 46770 (August 11, 2014), and accompanying I&D Memo at 4, *Certain Frozen Warmwater Shrimp from Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013), and accompanying I&D Memo at IV.

reasonable to infer that all exporters from India, Indonesia, and South Korea may have benefitted from these subsidies. Therefore, the Department has not used prices from these three countries in calculating the Thai import-based SVs.

Additionally, the Department disregarded data from NME countries when calculating Thai import-based per-unit SVs. The Department also excluded from the calculation of Thai 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.[155]

2. Energy

We valued electricity and water using data from the Metropolitan Electricity Authority and the Metropolitan Waterworks Authority, respectively, as compiled by the Board of Investment of Thailand.[156] Because the source of the electricity data predates the POI, and there were no contemporaneous data on the record, we adjusted the surrogate electricity value for inflation using the Producer Price Index.[157] Because the source of the water data is contemporaneous with the POI, we did not adjust the water data for inflation.[158]

3. Movement Expenses

As appropriate, we added freight costs to SVs. Specifically, we added surrogate inland freight costs to import values used as SVs. We calculated freight SVs using the shorter of the reported distance from the domestic supplier to the factory that produced the subject merchandise or the distance from the nearest port to the factory that produced the subject merchandise, where appropriate.[159]

We valued brokerage and handling and inland truck freight expenses using the data from *Doing Business 2017: Thailand* (*Doing Business 2017*), and a calculation methodology based on a container weighing 15 metric tons and a distance from Bangkok to Laem Chabang port of 129 kilometers (both of which were noted in the *Doing Business 2017* study).[160] The data in *Doing Business 2017* were current as of June 1, 2016,[161] which is four months prior to the beginning of the POI, but because there was no inflation between June 1, 2016, and the POI, we did not adjust these two surrogate movement expenses for inflation.[162]

---

[155] *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).
[156] *See* the Tongrun Single Entity's SV Comments 1 at Exhibit 4 for electricity Exhibit 5 for water. *See also* the petitioner's SV Comments 1 at Attachment 3C for water.
[157] *See* Preliminary SV Memorandum at Exhibit 2, PPI tab.
[158] *See* Preliminary SV Memorandum.
[159] *See Sigma Corp.*, 117 F.3d at 1407-08.
[160] *See* the Tongrun Single Entity's SV Comments 1 at Exhibit 6.
[161] *Id.*
[162] *See* Preliminary SV Memorandum at Exhibit 2, PPI tab. The calculated inflator for these two movement expenses is one.

4. Labor

In *Labor Methodologies*,[163] the Department determined that the best methodology to value labor is to use industry-specific labor rates from the primary surrogate country. Additionally, we determined that the best data source for industry-specific labor rate is Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization (ILO) Yearbook of Labor Statistics. However, this does not mean that other sources for labor costs may not be considered.[164] Rather, we continue to follow our practice of selecting the best available information for valuing FOPs. We valued labor using Thailand's National Statistics Office (NSO) data.[165] The ILO cites these data as the source of its Thai labor data. We used NSO data for general manufacturing wages for the fourth quarter of 2016 and the first quarter of 2017, which cover the POI.

5. Financial Ratios

According to 19 CFR 351.408(c)(4), the Department is directed to value overhead, selling, general and administrative (SG&A) expenses, and profit using non-proprietary information gathered from producers of merchandise that is identical or comparable to the merchandise under consideration in the surrogate country. The Department's preference is to derive surrogate overhead expenses, SG&A expenses, and profit using financial statements covering a period that is contemporaneous with the POI, that show a profit, from companies with a production experience similar to the respondents' production experience, and that are not distorted or otherwise unreliable, such as financial statements that indicate the company received subsidies.[166]

The record contains the audited public financial statements of Bangkok Sheet Metal Public Co., Ltd. (Bangkok Sheet), a Thai producer of merchandise comparable to the merchandise under consideration, *i.e.*, metal cabinets.[167] Bangkok Sheet's financial statements cover the fiscal year ending December 2016 and show profits. As a result, because they are contemporaneous, we preliminarily valued factory overhead, SG&A and profit using the 2016 financial statements of Bangkok Sheet.[168]

We did not use the financial statements of Rockworth Public Co., Ltd., because this company is engaged in manufacturing office system furniture custom-designed for individual customers.[169]

---

[163] *See Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) (*Labor Methodologies*).
[164] *See Steel Wire Garment Hangers from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2012-2013,* 79 FR 65616 (November 5, 2014), and accompanying I&D Memo at 11.
[165] *See* the petitioner's SV Comment 1 at Attachment 4.
[166] *See Hand Trucks and Certain Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*; 2010-2011, 78 FR 28801 (May 16, 2013), and accompanying I&D Memo at Comment 2; *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China; 2010-2011; Final Results of Antidumping Duty Administrative Review*, 78 FR 5414 (January 25, 2013), and accompanying I&D Memo at Comment 1.
[167] *See* the petitioner's SV Comments 1 at Attachment 6.
[168] *Id*.
[169] *See* Geelong's SV Rebuttal Comments 1 at Attachments SV-6d.

We do not find the nature of this company's business, *i.e.*, manufacturing of custom-designed office system furniture for individual customers, comparable to the production of subject merchandise. We did not use the financial statements of Siam Steel International Public Co., Ltd., because it mostly produces non-comparable merchandise, *e.g.*, bathroom pods, bleachers, chairs, combine furniture system, folding stages, partition, shelving system, water stop panel.[170] We did not use the financial statements of Thai Steel Furniture Co., Ltd.,[171] and Alla Public Company Limited[172] because they are not producers of comparable merchandise. We did not use the financial statements of City Steel Public Company Limited[173] and Alcomet AD[174] because they predate the POI. None of the income statements included in the SV information submitted on October 10, 2017, report the cost of production of merchandise, which indicates that none of these companies are producers.[175] Finally, in accordance with 19 CFR 351.301(c)(3)(iv), we did not use financial statements in SV rebuttal submissions.[176] Therefore, we did not use the financial statements of any of those companies.

N. Currency Conversion

Where appropriate, the Department made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank.

IX. ADJUSTMENT UNDER SECTION 777A(F) OF THE ACT

In applying section 777A(f) of the Act, the Department examines: (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.[177] For a

---

[170] *Id.* at Attachments SV-6b and SV-7. *See also Certain Frozen Warmwater Shrimp from Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013), and accompanying I&D Memo at 7-12 and Comments 1-4.
[171] *See* the Tongrun Single Entity's SV Comments 1 at Exhibit 8. Thai Steel Furniture Co., Ltd. is a distributor of house furniture.
[172] *See* the petitioner's SV Comments 1 at Attachment 6. Alla Public Company Limited is engaged in the business of manufacturing, distributing, and installing material handling equipment including crane, electric chain hoise, dock leveler, industrial door, and plastic strip curtain.
[173] *See* the petitioner's SV Comments 1 at Attachment 6. City Steel Public Company Limited's 2016 financial statements cover the fiscal year ending July 31, 2016.
[174] *See* Geelong's SV Comments 1 at Attachment 11. Alcomet AD's 2015 financial statements cover the fiscal year ending December 31, 2015. In addition, Alcomet AD is a Bulgarian producer of non-comparable merchandise. *See also* Geelong's SV Rebuttal Comments at Attachment SV-9.
[175] *See* the petitioner's SV Comments 2 at Attachments 6 and 7 and the Tongrun Single Entity's SV Comments 2 at Exhibit 4.
[176] *See* 19 CFR 351.301(c)(3)(iv) ("Information submitted to rebut, clarify, or correct factual information submitted pursuant to § 351.408(c) will not be used to value factors under § 351.408(c).").
[177] *See* section 777A(f)(1)(A)-(C) of the Act.

subsidy meeting these criteria, the statute requires the Department to reduce the AD by the estimated amount of the increase in the weighted-average dumping margin subject to a specified cap.[178]

Since the Department has relatively recently started conducting analyses under section 777A(f) of the Act, the Department is continuing to refine its practice in applying this section of the law. The Department examined whether the respondent demonstrated: (1) a subsidies-to-cost link, *e.g.*, subsidy impact on cost of manufacture (COM); and (2) a cost-to-price link, *e.g.*, respondent's prices changed as a result of changes in the COM.[179]

In order to examine the effects of concurrent countervailable subsidies in calculating margins for Geelong and the Tongrun Single Entity, the Department provided them with an opportunity to submit information with respect to subsidies relevant to their eligibility for an adjustment to the calculated weighted-average dumping margins.[180] Geelong and the Tongrun Single Entity submitted their double remedy questionnaire responses.[181] A finding that there is an overlap in remedies and any resulting adjustments are based on a case-by-case analysis of the totality of facts on the administrative record for that segment of the proceeding as required by the statute.[182]

Because Geelong has not established the subsidies-to-cost link, we find that Geelong is ineligible for a domestic pass-through adjustment, *i.e.*, a double remedy adjustment, and made no domestic pass-through adjustment for Geelong.[183] Separately, the Tongrun Single Entity has claimed a domestic pass-through adjustment for cold-rolled and hot-rolled coiled steel,[184] for which the Department made a preliminary affirmative determination of the PRC government's provision for less than adequate remuneration (LTAR) in the concurrent CVD investigation of certain tool chests and cabinets from the PRC.[185] The Tongrun Single Entity provided its accounting records indicating that the LTAR programs for cold-rolled and hot-rolled steel coils affected its COM.[186] Therefore, we preliminarily determine that the Tongrun Single Entity established a subsidy-to-

[178] *See* section 777A(f)(1)-(2) of the Act.
[179] *See*, *e.g.*, *Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 36876 (June 8, 2016), and accompanying Preliminary Decision Memorandum at 36, unchanged in *Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 81 FR 75032 (October 28, 2016).
[180] *See* the AD questionnaire to Geelong and the Tongrun Single Entity dated June 12, 2017.
[181] *See* Geelong's double remedy response dated July 26, 2017, Geelong's double remedy supplemental response dated September 15, 2017, the Tongrun Single Entity's double remedy response dated July 26, 2017, and the Tongrun Single Entity's section A and double remedy supplemental response dated September 20, 2017.
[182] *See*, *e.g.*, *Certain Hardwood Plywood Products from the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Preliminary Affirmative Determination of Critical Circumstances, in Part*, 82 FR 28629 (June 23, 2017), and accompanying Preliminary Decision Memorandum at 43.
[183] *See* Geelong's double remedy response dated July 26, 2017, at 8-10 and Exhibit DR-13, and Geelong's double remedy supplemental response dated September 15, 2017, at Revised Exhibit DR-13 for business proprietary details.
[184] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, and section A and double remedy supplemental response dated September 20, 2017.
[185] *See Certain Tool Chests and Cabinets from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 82 FR 43331 (September 15, 2017) (*Tool Chests CVD Prelim*), and accompanying Preliminary Decision Memorandum at 37.
[186] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, at 4, and Exhibit DR-1.

cost link because subsidies for the provisions of cold-rolled and hot-rolled steel coils for LTAR affect the Tongrun Single Entity's costs for the production of subject merchandise.

For the cost-to-price link, we examined whether the Tongrun Single Entity demonstrated that changes in costs affected prices or that it takes into consideration changes in costs in setting prices.[187] The Tongrun Single Entity explained that it primarily considered the purchase price of cold-rolled and hot-rolled coiled steel in setting and changing the prices of subject merchandise during the POI.[188] The Tongrun Single Entity demonstrated that its employees monitor input costs and it uses internal cost report as a basis of price negotiations with customers to set the prices of subject merchandise.[189] Finally, the Tongrun Single Entity demonstrated that it raised prices of subject merchandise on a customer-specific basis as the input costs for cold-rolled and hot-rolled coiled steel increased over the course of the POI.[190] Therefore, we preliminarily determine that the Tongrun Single Entity established the cost-to-price link between the U.S. prices of the subject merchandise and the Tongrun Single Entity's per-unit cost of these two types of inputs.[191]

Based on the foregoing, the Department preliminarily found that the requirements of sections 777A(f)(1)(A)-(C) of the Act have been met for the Tongrun Single Entity. Therefore, we preliminarily find a basis for adjusting the AD cash deposit rate for the Tongrun Single Entity under section 777A(f) of the Act and, have preliminary determined an adjusted AD cash deposit rate based on the program-specific CVD rates found in the companion CVD investigation for the Tongrum Single Entity for the provisions of cold-rolled and hot-rolled coiled steel for LTAR.[192] Because the Tongrun Single Entity's double remedy response indicates that factors other than the cost of cold-rolled and hot-rolled coiled steel impact prices to customers (*e.g.*, prevailing market price for the merchandise and expected profit),[193] the Department preliminarily applied a documented ratio of cost-price changes for the relevant manufacturing sector as a whole, which is based on data provided by Bloomberg, as the estimate of the extent of subsidy pass-through.[194] Accordingly, we made preliminary domestic pass-through adjustment for the Tongrun Single Entity.

To determine whether to grant a domestic pass-through adjustment for non-selected separate rate respondents, the Department relies on the experience of the individually investigated respondents, subject to section 777A(f)(2) of the Act. Because the Tongrun Single Entity is

---

[187] *See Certain Passenger Vehicle and Light Truck Tires from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review, Preliminary Determination of No Shipments, and Rescission, in Part; 2015-2016*, 82 FR 42281 (September 7, 2017), and accompanying Preliminary Decision Memorandum at 32.
[188] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, at 2.
[189] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, at 2-5 and Exhibits DR-2 and DR-4, and section A and double remedy supplemental response dated September 20, 2017, at 5 and Exhibit SDR-2.
[190] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, at 5 and Exhibits DR-3 and DR-4.
[191] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, and section A and double remedy supplemental response dated September 20, 2017.
[192] *See Tool Chests CVD Prelim* and accompanying Preliminary Decision Memorandum at 36-37.
[193] *See* the Tongrun Single Entity's double remedy response dated July 26, 2017, at 2.
[194] *See* Memorandum, "Certain Tool Chests and Cabinets from the People's Republic of China: Preliminary Double Remedy Memorandum," dated concurrently with this Preliminary Decision Memorandum (Preliminary Double Remedy Memorandum), at Attachments 1 and 2.

eligible for a domestic pass-through adjustment, we made a domestic pass-through adjustment for the non-selected separate rate respondents using the domestic pass-through adjustment rate for the Tongrun Single Entity, which is consistent with section 777A(f)(2) of the Act.[195]

For the PRC-wide entity, which received an AFA rate as discussed above, we would normally adjust the PRC-wide entity's AD cash deposit rate by the lowest estimated domestic pass-through adjustment rate determined for any party in this investigation. In this investigation, the lowest domestic pass-through adjustment rate is zero percent for Geelong, and we made no adjustment accordingly.[196]

X. ADJUSTMENT TO CASH DEPOSIT RATE FOR EXPORT SUBSIDIES

For this investigation, for the two individually investigated respondents, the non-selected respondents eligible for a separate rate, and the PRC-wide entity, which received an AFA rate as discussed above, we are adjusting their AD cash deposit rate by the CVD attributable to export subsidies. The Department preliminarily determined in the concurrent CVD investigation that Export Buyer's Credits, fourth quarter growth comparison, and first-third quarter growth comparison were export specific and, from these programs, Geelong received the countervailable subsidies.[197] The Department preliminarily determined in the concurrent CVD investigation that the Tongrun Single Entity received the countervailing subsidies from Export Buyer's Credits. We deducted from Geelong's dumping margin the CVD attributable to Geelong's export subsidies. We deducted from the Tongrun Single Entity's dumping margin the CVD attributable to the Tongrun Single Entity's export subsidies and the domestic pass-through adjustment rate. We calculated the weighted-average of the export subsidy rates for purposes of adjusting the cash deposit rate for the non-selected separate rate respondents, using the publicly ranged sales values reported by Geelong and the Tongrun Single Entity.[198] As the PRC-wide entity is subject to AFA, we deducted the lowest export subsidy rate calculated for an individually investigated respondent in the concurrent CVD investigation.[199] Accordingly, the adjusted cash deposit rates are 158.30 percent for Geelong, 74.56 percent for the Tongrun Single Entity, 130.09 percent for non-selected separate rate respondents, and 158.39 percent for the PRC-wide entity.[200]

---

[195] *See Aluminum Extrusions from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2013-2014*, 80 FR 32347 (June 8, 2015), and accompanying Preliminary Decision Memorandum at 34, unchanged in *Aluminum Extrusions from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2013-2014*, 80 FR 75060, 75063 (December 1, 2015).
[196] *See Certain Corrosion-Resistant Steel Products from the People's Republic of China: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 75 (January 4, 2016), and accompanying Preliminary Decision Memorandum at 25-26, unchanged in *Certain Corrosion-Resistant Steel Products from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, and Final Affirmative Critical Circumstances Determination, in Part*, 81 FR 35316, 35318 (June 2, 2016).
[197] *See Tool Chests CVD Prelim* and accompanying Preliminary Decision Memorandum at 35, 39, and Appendix.
[198] *See* Preliminary Double Remedy Memorandum at Attachment 1 for the calculation of these adjusted cash deposit rates. *See also* Geelong's supplemental response dated October 20, 2017, at Revised Exhibit A-1 (Public Version) and the Tongrun Single Entity's supplemental response dated October 18, 2017, at Exhibit S2-C1 (Public Version).
[199] *See*, *e.g.*, *Certain Polyethylene Terephthalate Resin from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 80 FR 62024 (October 15, 2015), and accompanying Preliminary Decision Memorandum at 34, unchanged in *Certain Polyethylene Terephthalate Resin from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 81 FR 13331 (March 14, 2016).
[200] *See* Preliminary Double Remedy Memorandum at Attachment 1.

XI. CONCLUSION

We recommend applying the above methodology for this preliminary determination.

☒ ☐

____________ ____________

Agree Disagree

11/7/2017

X

Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of
the Assistant Secretary for Enforcement and Compliance