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**International Trade Administration**  
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April 2, 2013

MEMORANDUM TO: Ronald K. Lorentzen  
Acting Assistant Secretary  
for Import Administration

FROM: Edward C. Yang  
Senior Director  
China/Non-Market Economy Unit

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping  
Duty Administrative Review: Polyvinyl Alcohol from Taiwan;  
2010-2012

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## **SUMMARY**

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on polyvinyl alcohol (PVA) from Taiwan. The review covers one producer/exporter of the subject merchandise, Chang Chun Petrochemical Co., Ltd. (CCPC). The period of review (POR) is September 13, 2010, through February 29, 2012. We preliminarily find that CCPC has not sold subject merchandise at prices below normal value (NV).

## **BACKGROUND**

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b), Sekisui Specialty Chemicals America, LLC (the petitioner) requested an administrative review of the antidumping duty order on PVA from Taiwan with respect to CCPC on March 30, 2012. On April 30, 2012, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review of the antidumping duty order on PVA from Taiwan.<sup>1</sup>

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<sup>1</sup>See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 77 FR 25401 (April 30, 2012). In the April 30, 2012 initiation notice the POR for PVA from Taiwan was incorrect. We published the correct POR in the subsequent initiation notice dated May 29, 2012. See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part*, 77 FR (May 29, 2012).



The Department extended the original deadline for these preliminary results until April 2, 2013.<sup>2</sup> We are conducting the administrative review of the order in accordance with section 751(a) of the Act.

## **SCOPE OF THE ORDER**

The merchandise covered by the antidumping duty order is PVA. This product consists of all PVA hydrolyzed in excess of 80 percent, whether or not mixed or diluted with commercial levels of defoamer or boric acid. PVA in fiber form and PVB-grade low-ash PVA are not included in the scope of this order. PVB-grade low-ash PVA is defined to be PVA that meets the following specifications: Hydrolysis, Mole % of 98.40 +/- 0.40, 4% Solution Viscosity 30.00 +/- 2.50 centipois, and ash – ISE, wt% less than 0.60, 4% solution color 20mm cell, 10.0 maximum APHA units, haze index, 20 mm cell, 5.0, maximum. The merchandise subject to the order is currently classifiable under subheading 3905.30.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise subject to this order is dispositive.

## **DISCUSSION OF THE METHODOLOGY**

### Comparisons to Normal Value

To determine whether CCPC's sales of PVA from Taiwan were made in the United States at less than NV, we compared the export price (EP) to the NV as described in the "Export Price" and "Normal Value" sections of this memorandum.

#### *A. Determination of Comparison Method*

Pursuant to 19 CFR 351.414(c)(1) (2012), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or constructed export prices (CEPs)) (the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction (A-T) method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of administrative reviews, the Department finds that the issue arising under 19

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<sup>2</sup>The original deadline for these preliminary results was December 1, 2012. As explained in the memorandum from the Assistant Secretary for Import Administration, the Department has exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29 through October 30, 2012. Thus, all deadlines in this segment of the proceeding have been extended by two days. The revised deadline for the preliminary results of this review was tolled two days until December 3, 2012. See Memorandum to the record from Paul Piquado, Assistant Secretary for Import Administration, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During Hurricane Sandy," dated October 31, 2012. The Department thereafter extended by 120 days to April 2, 2013. See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, through Susan Kuhbach, Office Director, Antidumping and Countervailing Duty Operations 1, entitled, "Polyvinyl Alcohol from Taiwan: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated November 9, 2012.

CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations.<sup>3</sup> In recent investigations, the Department applied a “differential pricing” analysis for determining whether application of A-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.<sup>4</sup> The Department finds the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department’s additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods.<sup>5</sup> If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer names. Regions are defined using the reported destination code (*i.e.*, zip codes) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between export price (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* test is applied when the test and comparison groups of data each

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<sup>3</sup> See *Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012).

<sup>4</sup> See Memoranda to Paul Piquado, Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director of AD/CVD Operations Office 4, entitled “Less Than Fair Value Investigation of Xanthan Gum from Austria: Post-Preliminary Analysis and Calculation Memorandum”, “Less Than Fair Value Investigation of Xanthan Gum from the People’s Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Neimenggu Fufeng Biotechnologies Co., Ltd. (aka Inner Mongolia Fufeng Biotechnologies Co., T Jd.) and Shandong Fufeng Fermentation Co., Ltd.”, and “Less Than Fair Value Investigation of Xanthan Gum from the People’s Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Deosen Biochemical Ltd.” all dated March 4, 2013.

<sup>5</sup> As noted above, differential pricing was used in recent investigations. It was also used in the recent antidumping duty administrative review of polyester staple fiber from Taiwan. See *Polyester Staple Fiber from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 17637 (March 22, 2013) and accompanying Decision Memorandum.

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

Next, the "ratio test" 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 EPs that differ significantly supports the consideration of the application of the A-T method to all sales as an alternative to the A-A method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an A-T method to those sales identified as passing the Cohen's *d* test as an alternative to the A-A method, and application of the A-A method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the A-A method.

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

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

## B. *Results of the Differential Pricing Analysis*

For CCPC, based on the results of the differential pricing analysis, the Department finds that 83.72 percent of CCPC's export sales confirm the existence of a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. *See* Preliminary Analysis Memorandum<sup>6</sup> for further discussion. Additionally, the Department determines that the A-A method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margin when calculated using the A-A method and the A-T method.<sup>7</sup> Accordingly, the Department has determined to use the A-A method in making comparisons of EP and NV for CCPC.<sup>8</sup>

### Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by CCPC and sold in the U.S. and home markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are viscosity, molecular structure, hydrolysis, degree of modification, particle size, use of tackifier, use of defoamer, level of ash, color, percentage of volatiles, and visual impurities.

### Date of Sale

Section 351.401(i) of the Department's regulations states that, normally, the Department will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. The regulation provides further that the Department may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.

With respect to its home-market sales, CCPC reported the government uniform invoice date as the date of sale because that is the date on which the price and quantity are fixed.<sup>9</sup> This is consistent with our regulatory presumption for invoice date as the date of sale.<sup>10</sup> Thus, because

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<sup>6</sup> *See* Memorandum to the file from Sandra Dreisonstok through Minoo Hatten entitled, "Administrative Review of the Antidumping Duty Order on Polyvinyl Alcohol from Taiwan: Preliminary Analysis Memorandum for Chang Chun Petrochemical Co., Ltd.; 2010-2012" (Preliminary Analysis Memorandum), dated concurrently with this memorandum.

<sup>7</sup> *Id.*

<sup>8</sup> In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012). In particular, the Department compared monthly weighted-average EPs with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

<sup>9</sup> *See* CCPC's questionnaire response dated June 13, 2012, at A-15 and B-15.

<sup>10</sup> *See* 19 CFR 351.401(i).

the evidence does not demonstrate that the material terms of sale were established on another date, we have used invoice date as the date of sale in the home market.

CCPC reported customs declaration date as the date of sale for its U.S. sales because that is the date on which CCPC recognizes and records export sales in its books and records.<sup>11</sup>

Furthermore, it states that the customs declaration date is used as the internal invoice date for tax reporting purposes.<sup>12</sup> We have used customs declaration date as the date of sale for CCPC's sales to the United States because, according to CCPC, the terms of sale are set and do not change after this time.

### Export Price

In accordance with section 772(a) of the Act, we used EP for CCPC because the subject merchandise was sold before the date of importation to an unaffiliated purchaser in the United States. We calculated EP based on the delivered price (delivered duty unpaid) to the unaffiliated purchaser in the United States. We made deductions for all movement expenses in accordance with section 772(c)(2)(A) of the Act.

### Normal Value

#### *A. Home Market Viability as Comparison Market*

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compared the volume of CCPC's home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Based on this comparison, we determined that CCPC had a viable home market during the POR.

#### *B. Level of Trade*

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade as the EP sales in the U.S. market. Pursuant to 19 CFR 351.412(c)(1), the NV level of trade is based on the starting price of the sales in the comparison market or, when NV is based on constructed value, the starting price of the sales from which we derive selling, general and administrative expenses and profit. For EP sales, the U.S. level of trade is based on the starting price of the sales in the U.S. market, which is usually from the exporter to the importer.

To determine whether comparison-market sales are at a different level of trade than EP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. *See* 19 CFR 351.412(c)(2). If the

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<sup>11</sup> CCPC explained that customs declaration date coincides with shipment date from the factory to the port of export. However, it reported customs declaration date as the date of sale for its U.S. sales instead of shipment date because it records export sales in its books and records once declared at the port. *See* CCPC's questionnaire response dated June 13, 2012, at A-15 and C-13, and supplemental questionnaire response dated August 21, 2012, at 26-27.

<sup>12</sup> *Id.*

comparison-market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and the comparison-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate From South Africa*, 62 FR 61731, 61733 (November 19, 1997).

We obtained information from CCPC regarding the marketing stages involved in making its reported home-market and U.S. sales, including a description of the selling activities the respondent performed for each channel of distribution.

During the POR, CCPC reported that it sold PVA in the home market through a single channel of distribution.<sup>13</sup> We found that the selling activities associated with all sales through this channel of distribution did not differ. Accordingly, we found that the home-market channel of distribution constituted a single level of trade.

CCPC reported that its EP sales were made to distributors through a single channel of distribution.<sup>14</sup> We found that the selling activities associated with all sales through this channel of distribution did not differ. Accordingly, we found that the EP channel of distribution constituted a single level of trade. We found that the EP level of trade was identical to the home-market level of trade in terms of selling activities. Thus, we matched CCPC's EP sales at the same level of trade in the home market and made no level-of-trade adjustment.

### *C. Cost of Production*

The Department disregarded sales priced below the cost of production (COP) by CCPC in the investigation. *See Polyvinyl Alcohol From Taiwan: Final Determination of Sales at Less Than Fair Value*, 76 FR 5562 (February 1, 2011). Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that CCPC made sales of the subject merchandise in its home market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of sales by CCPC. We examined the cost data for CCPC and determined that our quarterly cost methodology is not warranted and, therefore, we have applied our standard methodology of using annual costs based on the reported data, adjusted as described below. *See Preliminary Cost Memorandum* for further discussion.<sup>15</sup>

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<sup>13</sup> See CCPC's questionnaire response dated June 13, 2012, at A-11, A-12, and B-21. *See also* CCPC's supplemental questionnaire response dated July 27, 2012, at 16.

<sup>14</sup> See CCPC's questionnaire response dated June 13, 2012, at A-11, A-12, and C-19. *See also* CCPC's supplemental questionnaire response dated July 27, 2012, at 16.

<sup>15</sup> See Memorandum to Neal M. Halper, Director, Office of Accounting from Gary W. Urso, Accountant, entitled "Antidumping Duty Administrative Review of Polyvinyl Alcohol from Taiwan, Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Chang Chun Petrochemical Company, Limited," dated concurrently with this memorandum (Preliminary Cost Memorandum).

## 1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by CCPC in its questionnaire responses for the COP calculation.

During the POR, CCPC sold acetic acid to and purchased vinyl acetate monomer from its affiliated supplier, Dairen. We evaluated CCPC's affiliated transactions with Dairen under section 773(f)(3) of the Act, and adjusted CCPC's cost of manufacturing to reflect the higher of market or transfer price, or the affiliate's COP. In addition, we increased CCPC's cost of manufacturing to include employee bonuses, year-end bonuses, and the loss on shut-down of the factory. We set CCPC's financial expense ratio to zero since it reported a negative financial expense ratio. *See Preliminary Cost Memorandum.*

## 2. Test of Home Market Sales Prices

As required under section 773(b)(2) of the Act, we compared the weighted average of the COP for the POR to the per-unit prices of the home market sales of the foreign like product to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We determined the net home market prices for the below cost test by subtracting from the gross unit price all applicable movement charges, direct and indirect selling expenses, and packing expenses.

## 3. Results of the COP Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product are at prices less than the COP, we disregard below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a given model are at prices less than the COP, we disregard the below-cost sales because (1) they are made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted average of the COPs, they are at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

Our cost test indicated that CCPC's home market sales were not sold at prices below the COP within an extended period of time and were at prices which would permit the recovery of all costs within a reasonable period of time. *See Preliminary Analysis Memorandum.* Thus, we have not disregarded any of CCPC's home-market sales to determine NV.

### *D. Calculation of Normal Value Based on Home Market Prices*

We based NV on CCPC's home-market sales to unaffiliated purchasers. Pursuant to section 773(a)(6)(B)(ii) of the Act, we deducted inland freight expenses CCPC incurred on its home market sales. We made adjustments for differences in domestic and export packing expenses in

accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act. *See* Preliminary Analysis Memorandum for further details.

#### Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A 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. The exchange rates are available on the Import Administration website at <http://ia.ita.doc.gov/exchange/index.html>.

#### Recommendation

We recommend applying the above methodology for these preliminary results.

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Agree

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Disagree

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Ronald Lorentzen  
Acting Assistant Secretary  
for Import Administration

4/2/13

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(Date)