A-583-860 Investigation Public Document E&C/IV: LA

DATE: December 18, 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: Decision Memorandum for the Preliminary Determination in the

Less-Than-Fair Value Investigation of Fine Denier Polyester

Staple Fiber from Taiwan

I. SUMMARY

We preliminarily determine that fine denier polyester staple fiber (fine denier PSF) from Taiwan is being, or is likely to be, sold in the United States at less than fair value (LTFV) as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act). The estimated weighted-average dumping margins are shown in the Preliminary Determination section of the accompanying *Federal Register* notice.

II. BACKGROUND

On May 31, 2017, the Department received an antidumping duty (AD) petition concerning imports of fine denier PSF from Taiwan, which was filed in proper form by DAK Americas LLC, Nan Ya Plastics Corporation, America, and Auriga Polymers Inc. (the petitioners). On June 5, 2017² and June 12, 2017, the Department requested information and clarification of certain areas of the petition. The petitioners filed timely responses to these requests. On June 27, 2017,

³ See Memorandum, "Petitions for the Imposition of Antidumping and Countervailing Duties on Imports of Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam," dated June 13, 2017.



¹ See Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan. and the Socialist Republic of Vietnam – Petition for the Imposition of Antidumping and Countervailing Duties, dated May 31, 2017 (Petition).

² See Memorandum, "Petition for the Imposition of Antidumping Duties on Imports of Fine Denier Polyester Staple Fiber from Taiwan: Supplemental Questions," dated June 5, 2017.

the Department published the notice of the initiation of the AD investigation of fine denier PSF from Taiwan in the *Federal Register*.⁴

On June 27, 2017, the Department released U.S. Customs and Border Protection (CBP) import data to interested parties which it intended to use for purposes of selecting mandatory respondents.⁵ On July 5, 2017, we received comments on the Department's selection of respondents from the petitioners.⁶ On July 25, 2017, the Department selected Tainan Spinning Co., Ltd. (TSCL) and Far Eastern Textile, Ltd. (Far Eastern) also known as Far Eastern New Century Corporation, as mandatory respondents for this investigation and issued them antidumping duty (AD) questionnaires.⁷ On August 2, 2017, Far Eastern notified the Department that it would not participate in the investigation.⁸ TSCL submitted timely responses to the Department's AD questionnaire (sections A, B, C, and D) and corresponding supplemental questionnaires between August 24, 2017, and December 4, 2017.

In addition, in the *Initiation Notice*, the Department set aside time for parties to comment on the appropriate physical characteristics of fine denier PSF to be reported in response to the Department's AD questionnaire. On July 14, 2017, the petitioners and various other interested parties in this investigation, and the companion AD investigations for People's Republic of China (PRC), India, Republic of Korea, and Taiwan, submitted comments to the Department regarding the physical characteristics of the merchandise under consideration to be used for reporting purposes. On July 24, 2017, interested parties filed rebuttal comments. Based on the comments received, the Department issued a memorandum to interested parties which contained the product characteristics for this and the companion AD investigations. On August 17, 2017, the petitioners submitted comments concerning the product matching hierarchy released by the Department.

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⁴ See Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam: Initiation of Less-Than-Fair-Value Investigations, 82 FR 29023 (June 27, 2017) (Initiation Notice).

⁵ See Memorandum, "Fine Denier Polyester Staple Fiber from the Republic of Taiwan: Customs Data," dated June 27, 2017 (Customs Data Memorandum).

⁶ See the Petitioners' Letter re: Fine Denier Polyester Staple Fiber from the Republic of Taiwan – Petitioners' Comments on Respondent Selection," dated July 5, 2017.

⁷ See Memorandum, "Antidumping Duty Investigation of Fine Denier Polyester Staple Fiber from Taiwan: Far Eastern Textile Ltd.," dated August 8, 2017 at Attachment II (Far Eastern Withdrawal).

8 Id.

⁹ See Initiation Notice.

¹⁰ See Petitioners' Letter "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, and Taiwan – Petitioner's Comments on the Hierarchy of Product Matching Characteristics," dated July 14, 2017; and TSCL's Letter "Comments on Product Characteristics," dated July 14, 2017.

¹¹ See Petitioner's Letter "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea and Taiwan – Petitioners' Rebuttal Comments to the Importers' Scope Exclusion Requests," dated July 24, 2017; and Jiangyin Hailun Chemical Fiber Co., Ltd.'s Letter "Fine Denier Polyester Staple Fiber from The People's Republic of China, India, the Republic of Korea, and Taiwan - Rebuttal Product Matching Comments," dated July 24, 2017.

¹² See Memorandum, "Product Characteristics for Use in Sections B, C, and D Questionnaire Responses," dated August 11, 2017.

¹³ See Petitioners' Letter "Fine Denier Polyester Staple Fiber from India. the People's Republic of China. the Republic of Korea, and Taiwan - Petitioners' Request to Modify the Product Matching Criteria," dated August 17,

On October 25, 2017, the U.S. 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 fine denier PSF from Taiwan.¹⁴

On October 13, 2017, and pursuant to section 733(c)(1)(B) of the Act, and 19 CFR 351.205(f)(1), the Department published in the Federal Register a postponement of the preliminary determination.¹⁵

On November 9, 2017, the Department notified parties of an opportunity to comment on the forthcoming preliminary determination.¹⁶ On November 22, 2017, the petitioners filed comments for the Department to consider in its preliminary determination.¹⁷

III. PERIOD OF INVESTIGATION

The period of investigation (POI) is April 1, 2016, through March 31, 2017. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, which was May 2017.¹⁸

IV. POSTPONEMENT OF PRELIMINARY DETERMINATION

On October 18, 2017, pursuant to section 733(c)(1)(A) of the Act and the petitioners' request, the Department postponed the preliminary determination by 41 days.¹⁹

V. POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES

In accordance with section 735(a)(2) of the Act, on November 13, 2017, TSCL requested that the Department postpone the final determination and requested that the Department extend the application of provisional measures to the extent permitted by the statute.²⁰ In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii) and (e)(2), because (1) our preliminary determination is affirmative, (2) the requesting exporter, TSCL, accounts for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for

^{2017 (}Petitioners' Product Matching Modification Request).

¹⁴ See Petitioners' Letter, "Department, re: "Fine Denier Polyester Staple Fiber from China. India. Korea and Taiwan - Submission of ITC Preliminary Report," dated October 25, 2017.

¹⁵ See Petitioners' Letter "Fine Denier Polyester Staple Fiber from India, the People's Republic of China, the Republic of Korea, and Taiwan – Petitioners' Request to Postpone the Antidumping Duty Preliminary Determinations," dated October 13, 2017.

¹⁶ See Memorandum, "Less than Fair Value Investigation of Fine Denier Polyester Staple Fiber from Taiwan: Notice of Opportunity to Submit Pre-Preliminary Determination Comments," dated November 9, 2017.

¹⁷ See Petitioner's Letter "Fine Denier Polyester Staple Fiber from Taiwan – Petitioners' Comments on Tainan Section D Responses and Preliminary Determination," dated November 22, 2017. ¹⁸ See 19 CFR 351.204(b)(1).

¹⁹ See Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of

Korea, and Taiwan: Postponement of Preliminary Determinations in Less-Than-Fair-Value Investigations, 82 FR 49178 (October 24, 2017).

²⁰ See TSCL's Letter, "Fine Denier Polyester Staple Fiber (FDPSF)," dated November 13, 2017.

denial exist, we are granting the request and are postponing the final determination until no later than 135 days after the publication of the accompanying preliminary determination notice in the *Federal Register*. Also, we are extending the provisional measures from four months to a period not to exceed six months pursuant to section 773(d) of the Act and 19 CFR 351.210(e)(2). Suspension of liquidation described in the accompanying preliminary determination notice will be extended accordingly.

VI. SCOPE OF THE INVESTIGATION

The product covered by this investigation is fine denier polyester staple fiber (fine denier PSF), not carded, combed, or pre-opened, measuring less than 3.3 decitex (3 denier) in diameter. The scope covers all fine denier PSF, whether coated or uncoated. The following products are excluded from the scope:

- (1) PSF equal to or greater than 3.3 decitex (more than 3 denier, inclusive) currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 5503.20.0045 and 5503.20.0065.
- (2) Low-melt PSF defined as a bi-component polyester fiber having a polyester fiber component that melts at a lower temperature than the other polyester fiber component, which is currently classifiable under HTSUS subheading 5503.20.0015.

Fine denier PSF is classifiable under the HTSUS subheading 5503.20.0025. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

This scope reflects a revision to the low-melt exclusion language that was included in the scope in the *Initiation Notice*. For details, see the "Scope Comments" section below.

VII. SCOPE COMMENTS

In accordance with the *Preamble* to the Department's regulations, ²¹ in the initiation notices the Department invited interested parties to comment on the scope of the investigations. On July 10, 2017, the Department received timely scope comments from David C. Poole Company Inc. (Poole), Suominen Corporation (Suominen), and Consolidated Fibers, Inc. (Consolidated Fibers). ²² On July 10, 2017, the Department extended the deadline for scope comments to July 12, 2017 and rebuttal comments to July 24, 2017. ²³ On July 11, 2017 the Department received timely scope comments from Reliance Industries, Ltd. (Reliance). ²⁴ On July 12, 2017, the

²¹ See Antidumping Duties; Countervailing Duties: Final Rule, 62 FR 27296, 27323 (May 19, 1997) (Preamble).

²² See Poole Scope Comments; see also Suominen Scope Comments; see also Consolidated Fibers Scope Comments.

²³ See Memorandum, "Extension of deadline to submit comments on the scope of the investigations," dated July 10, 2017. Because July 22, 2017, is a Saturday, the deadline for filing of rebuttal comments to the scope comments is no later than the close of business on Monday July 24, 2017.

²⁴ See Reliance's Letter, "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam: Reliance Industries, Ltd.'s Comments Regarding

Department received timely scope comments from petitioners.²⁵ On July 24, 2017, the Department received timely scope rebuttal comments from petitioners.²⁶

Additionally, in accordance with the preamble to the Department's regulations, we set aside a period of time for interested parties to raise issues regarding product coverage.²⁷ The Department specified that any such comments were due July 10, 2017, which was 20 calendar days from the signature date of the *Initiation Notice*, and any rebuttal comments were due by July 20, 2017.²⁸ On July 7, 2017, the Department extended the deadline for comments on product characteristics to July 14, 2017, and rebuttal comments to July 24, 2017.²⁹ On July 14, 2017, the petitioners and various other interested parties in this investigation, and the companion AD investigations for the PRC, India, and Taiwan, submitted comments to the Department regarding the physical characteristics of the merchandise under consideration to be used for reporting purposes.³⁰ On July 24, 2017, interested parties filed rebuttal comments.³¹ Based on the comments received, the Department issued a memorandum to interested parties which contained the product characteristics for this and the companion AD investigations.³²

On August 17, 2017, the petitioners submitted comments concerning the product matching hierarchy released by the Department.³³ The petitioners requested that the Department modify the product matching characteristics.³⁴ Specifically, the petitioners advocated eliminating the first product matching characteristic "Fiber Loft" (or listing it as the last characteristic) and including "tenacity" as a product matching characteristic. The petitioners stated that "fiber loft"

²⁸ See Initiation Notice.

the Scope of the Investigation," dated July 11, 2017 (Reliance Scope Comments).

²⁵ See Petitioner's Letter, "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam - Petitioners' Scope Comments," dated July 12, 2017 (petitioners' Scope Comments).

²⁶ See Petitioner's Letter, "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, and Taiwan – Petitioners' Rebuttal Comments to the Importers' Scope Exclusion Requests," dated July 24, 2017 (Petitioners' Rebuttal Scope Comments).

²⁷ See Antidumping Duties; Countervailing Duties, 62 FR 27296, 27323 (May 19, 1997).

²⁹ See Memorandum "Antidumping Duty Investigation of Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, Taiwan, and the Socialist Republic of Vietnam: Extension of Deadline to Submit Comments on Product Characteristics," dated July 7, 2017.

³⁰ See Petitioner's Letter "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea, and Taiwan – Petitioner's Comments on the Hierarchy of Product Matching Characteristics," dated July 14, 2017; and TSCL's Letter "Comments on Product Characteristics," dated July 14, 2017.

³¹ See Petitioner's Letter "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, the Republic of Korea and Taiwan – Petitioners' Rebuttal Comments to the Importers' Scope Exclusion Requests," dated July 24, 2017; and Jiangvin Hailun Chemical Fiber Co., Ltd.'s Letter "Fine Denier Polyester Staple Fiber from The People's Republic of China, India, the Republic of Korea, and Taiwan - Rebuttal Product Matching Comments," dated July 24, 2017.

³² See Memorandum "Product Characteristics for Use in Sections B, C, and D Questionnaire Responses," dated August 11, 2017.

³³ See Petitioner's Letter, "Fine Denier Polyester Staple Fiber from India. the People's Republic of China. the Republic of Korea, and Taiwan - Petitioners' Request to Modify the Product Matching Criteria," dated August 17, 2017 (Petitioners' Product Matching Modification Request).

³⁴ See Petitioner's Letter, "Fine Denier Polyester Staple Fiber from India. the People's Republic of China. the Republic of Korea, and Taiwan - Petitioners' Request to Modify the Product Matching Criteria," dated August 17, 2017 (Petitioners' Product Matching Modification Request).

(which involves either a conjugate (bi-component) fiber or a single component (non-conjugate), crimped fiber) is only relevant to non-subject coarse denier PSF; as "conjugate" fine denier PSF is not produced in the United States and is not a commercially significant physical characteristic for fine denier PSF. The petitioners noted that non-subject coarse denier polyester fibers are primarily used for fill applications where loft is necessary to provide added filling capacity.

However, the Department finds that record evidence shows conjugate fine denier PSF is relevant in the U.S. market. Furthermore, the Department finds that fiber loft is a commercially meaningful product characteristic because conjugate or non-conjugate characteristics deal with the fiber's fundamental structure.

Regarding tenacity, the petitioners stated that "{s}ubject products may be of low, mid, high or very high tenacity, representing the strength of the fibers"³⁵ and later noted that "{i}f the Department wishes to ensure reporting for different crimping levels, it should require "tenacity" to be reported as a matching variable within the control numbers."³⁶ However, the petitioners did not explain why it is important to consider different crimping levels. Based on the foregoing, the Department has made no changes or modifications to the product matching criteria.

Reliance Industries, Ltd., a respondent in the AD investigation of fine denier PSF from India, and several importers argued to exclude from the scope short-cut, siliconized, certified post-consumer recycled, and/or dope dyed black fine denier PSF and polyester fiber fill.³⁷ The petitioners requested that we broaden the scope exclusion for low-melt PSF because, as currently written, it does not exclude certain products within the scope of the ongoing low-melt PSF investigations.³⁸ The petitioners also opposed interested parties' exclusion requests.³⁹ For the reasons discussed in the Preliminary Scope Decision Memorandum, we have preliminarily revised the low-melt exclusion to avoid overlap of the scopes in the fine denier and low-melt PSF investigations but we have not revised the scope to exclude any other products.⁴⁰

³⁵ See Petitioners' Letter, "Fine Denier Polyester Staple Fiber form he People's Republic of China, India, the Republic of Korea, and Taiwan – Petitioner's Comments on the Hierarchy of Product Matching Characteristics," dated July 14, 2017.

³⁶ See Petitioners' Letter, "Fine Denier Polyester Staple Fiber form he People's Republic of China, India, the Republic of Korea, and Taiwan – Petitioners' Request to Modify the Product Matching Characteristics," dated August 17, 2017.

³⁷ See Memorandum, "Fine Denier Polyester Staple Fiber from the People's Republic of China, India, Republic of Korea, and Taiwan: Scope Comments Decision Memorandum for the Preliminary Determinations," dated December 8, 2017 (Scope Memorandum).

³⁸ *Id*.

³⁹ *Id*.

⁴⁰ *Id*.

VIII. DISCUSSION OF METHODOLOGY

Application of Adverse Facts Available

Section 776(a) of the Act provides that, subject to section 782(d) of the Act, the Department shall apply "facts otherwise available" if, *inter alia*, necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

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 the opportunity to remedy or explain the deficiency. If the party fails to remedy the deficiency within the applicable time limits and subject to section 782(e) of the Act, the Department may disregard all or part of the original and subsequent responses, as appropriate.

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the antidumping and countervailing duty law, including amendments to section 776(b) and 776(c) of the Act and the addition of section 776(d) of the Act.⁴¹ The amendments to the Act are applicable to all determinations made on or after August 6, 2015 and, therefore, apply to this investigation.⁴²

Section 776(b) of the Act provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed 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.⁴³ Further, section 776(b)(2) of the Act 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.⁴⁴ The SAA explains that the Department may employ an adverse inference "to ensure that the party does not obtain a more

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⁴¹ See TPEA, Pub. L. No. 114-27, 129 Stat. 362 (2015). 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 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 International Trade Commission. 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) (Applicability Notice). The text of the TPEA may be found at https://www.congress.gov/bill/114thcongress/house-bill/1295/text/pl.

⁴² See Applicability Notice, 80 FR at 46794-95.

⁴³ See section 776(b)(1)(B) of the Act; TPEA, section 502(1)(B).

⁴⁴ See also 19 CFR 351.308(c).

favorable result by failing to cooperate than if it had cooperated fully."⁴⁵ Further, affirmative evidence of bad faith on the part of a respondent is not required before the Department may make an adverse inference.⁴⁶

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.⁴⁷ Secondary information is defined as information derived from the petition that gave rise to the investigation, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.⁴⁸ Further, and under the TPEA, the Department is not required to corroborate any dumping margin applied in a separate segment of the same proceeding.

Finally, under the new section 776(d) of the Act, the Department may use a dumping margin from any segment of the proceeding under the applicable antidumping order when applying an adverse inference, including the highest of such margins.⁴⁹ The TPEA also makes clear that, when selecting facts available with an adverse inference, 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.⁵⁰

In this case, Far Eastern received our questionnaires but notified the Department that it would not participate in the investigation.⁵¹ As a consequence, we preliminarily find that necessary information is not available on the record and that Far Eastern withheld information requested by the Department, failed to provide information by the specified deadlines, and significantly impeded the proceeding.⁵² Moreover, because Far Eastern failed to provide any information, section 782(e) of the Act is inapplicable. Accordingly, pursuant to sections 776(a)(1) and 776(a)(2)(A), (B), and (C) of the Act, we are relying upon facts otherwise available for the preliminary dumping margin of Far Eastern.

Next, we considered whether it is appropriate to use an adverse inference in applying the facts otherwise available based on a failure of Far Eastern to act to the best of its ability to comply with a request for information. The Court of Appeals for the Federal Circuit (Federal Circuit), in *Nippon Steel*, provided an explanation of the meaning of failure to act to "the best of its ability," stating that the ordinary meaning of "best" means "one's maximum effort," and that "ability"

⁴⁵ See Statement of Administrative Action (SAA), H.R. Doc. 103-316, 103d Cong., 2d Session, vol 1 (1994) at 870.

⁴⁶ See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan, 65 FR 42985 (July 12, 2000); Antidumping Duties, Countervailing Duties, 62 FR at 27296, 27340; and Nippon Steel Corp. v. United States, 337 F.3d 1373, 1382-83 (CAFC 2003) (Nippon Steel).

⁴⁷ See also 19 CFR 351.308(d).

⁴⁸ See SAA at 870.

⁴⁹ See section 776(d)(1)(B) and 776(d)(2) of the Act; TPEA, section 502(3).

⁵⁰ See section 776(d)(3)(B) of the Act; TPEA, section 502(3).

⁵¹ See Far Eastern Withdrawal.

⁵² See sections 776(a)(2)(A), (B), and (C) of the Act.

refers to "the quality or state of being able." Thus, the statutory mandate that a respondent act to the "best of its ability" requires the respondent to do the maximum that it is able to do. ⁵⁴ The Federal Circuit acknowledged, however, that while there is no willfulness requirement, "deliberate concealment or inaccurate reporting" would certainly be sufficient to find that a respondent did not act to the best of its ability, although it indicated that inadequate inquiries to respond to agency questions may suffice as well. ⁵⁵ Hence, compliance with the "best of its ability" standard is determined by assessing whether a respondent has put forth its maximum effort to provide the Department with full and complete answers to all inquiries in an investigation. ⁵⁶

The failure of Far Eastern to respond to the Department's questionnaire or otherwise participate in the proceeding indicates that this company did not put forth its maximum effort to provide the Department with full and complete answers to the inquiries made in this investigation. Accordingly, the Department concludes that Far Eastern failed to cooperate to the best of its ability to comply with a request for information by the Department, in accordance with section 776(b) of the Act and 19 CFR 351.308(a). Therefore, in selecting from among the facts otherwise available, an adverse inference is warranted.⁵⁷

As noted above, section 776(b) of the Act states that the Department, when employing an adverse inference, may rely upon information derived from the Petition, the final determination from the LTFV investigation, a previous administrative review, or any other information placed on the record.⁵⁸ In selecting a rate based on adverse facts available (AFA), 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.⁵⁹ In this investigation, we have selected the petition dumping margin of 48.86 percent as the AFA rate applicable to Far Eastern. As noted below, this is the highest corroborated Petition dumping margin. For further details, *see* Analysis Memorandum.

Corroboration of Secondary Information

When using facts otherwise available, section 776(c) of the Act provides that, where the Department relies on secondary information (such as the Petition) rather than information obtained in the course of an investigation, it must corroborate, to the extent practicable, information from independent sources that are reasonably at its disposal.⁶⁰ 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

⁵³ See Nippon Steel Corporation v. United States, 337 F.3d 1373, 1382 (Fed. Cir. 2003) (Nippon Steel).

⁵⁴ *Id*.

⁵⁵ *Id.* at 1380.

⁵⁶ *Id.* at 1382.

⁵⁷ See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan, 65 FR at 42985, 42986 (July 12, 2000) (where the Department applied total AFA when the respondent failed to respond to the antidumping questionnaire).

⁵⁸ See also 19 CFR 351.308(c).

⁵⁹ *See* SAA at 870.

⁶⁰ See also 19 CFR 351.308(d).

previous review under section 751 of the Act concerning the subject merchandise."⁶¹ Thus, because the 48.86 percent AFA rate applied to Far Eastern is derived from the Petition and, consequently, is based upon secondary information, the Department must corroborate it to the extent practicable.

The SAA clarifies that "corroborate" means that the Department will satisfy itself that the secondary information to be used has probative value. The SAA and the Department's regulations explain that independent sources used to corroborate such information may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation. To corroborate secondary information, the Department will, to the extent practicable, determine whether the information used has probative value by examining the reliability and relevance of the information.

We determine that the Petition dumping margin of 48.86 percent is reliable because, to the extent appropriate information was available, we reviewed the adequacy and accuracy of the information in the Petition during our pre-initiation analysis and for purposes of this preliminary determination. During our pre-initiation analysis, we also examined the key elements of the export price (EP) and normal value (NV) calculations used in the Petition to derive estimated dumping margins. Specifically, we examined information (to the extent that such information was reasonably available) from various independent sources provided either in the Petition or, on our request, in the supplements to the Petition that corroborates elements of the EP and NV calculations used in the Petition to derive estimated dumping margins.

As discussed in detail in the Initiation Checklist, we considered the EP and NV calculations in the Petition to be reliable.⁶⁶ Because we obtained no other information that would make us question the validity of the information supporting the U.S. price or NV calculations provided in the Petition, we preliminarily consider the EP and NV calculations from the Petition, and thus the dumping margins in the Petition, to be reliable for the purposes of this investigation.

In making a determination as to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal as to whether there are circumstances that would render a margin not relevant. The courts acknowledge that consideration of the commercial behavior inherent in the industry is important in determining the relevance of the selected AFA

⁶¹ See SAA at 870; see also 19 CFR 351.308(c)(1).

⁶² See SAA at 870; see also 19 CFR 351.308(d).

⁶³ See SAA at 870; see also 19 CFR 351.308(d).

⁶⁴ See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, from Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews, 61 FR 57391, 57392 (November 6, 1996), unchanged in Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, from Japan; Final Results of Antidumping Duty Administrative Reviews and Termination in Part, 62 FR 11825 (March 13, 1997).

⁶⁵ See AD Investigation Initiation Checklist regarding, "Fine Denier Polyester Staple Fiber from Taiwan," dated June 20, 2017 (*Initiation Checklist*).

⁶⁶ See Initiation Checklist.

rate to the uncooperative respondent by virtue of it belonging to the same industry.⁶⁷

The Petition dumping margins are based on comparing constructed value (CV) for three models to three U.S. prices. Each of the CVs used in the petition are within the range of TSCL's home market prices. The U.S. price used to calculate the 48.86 percent dumping margin is similar to TSCL's lowest U.S. price.⁶⁸ Accordingly, we find that the rate of 48.86 percent is corroborated within the meaning of section 776(c) of the Act.

All-Others Rate

Under section 735(c)(5)(A) of the Act, the all-others rate is normally "an amount equal to the weighted average of the estimated weighted average dumping margins established for exporters and producers individually investigated, excluding any zero and *de minimis* margins, and any margins determined entirely {on the basis of facts available}." However, when the weighted-average dumping margins established for all individually investigated respondents are zero, *de minimis*, or based entirely on facts available, section 735(c)(5)(B) of the Act permits the Department to "use any reasonable method to establish the estimated all-others rate for exporters and producers not individually investigated, including averaging the estimated weighted average dumping margins determined for the exporters and producers individually investigated." We assigned a dumping margin based entirely on AFA to Far Eastern and calculated a company-specific dumping margin for the only cooperative mandatory respondent, TSCL, that is zero percent. Therefore, pursuant to section 735(c)(5)(B) of the Act, we preliminary determine that it is reasonable to calculate the all-others rate based on a simple average of the zero percent dumping margin and the dumping margin based totally on AFA.⁶⁹

Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether TSCL's sales of fine denier PSF from Taiwan to the United States were made at LTFV, we compared EPs to NV, as described in the "U.S. Price" and "Normal Value" sections of this memorandum.

A) Determination of the Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates individual dumping margins by comparing weighted-average NVs to weighted-average EPs or constructed export prices (CEP) (*i.e.*, the average-to-average comparison method) unless the Secretary determines that another method is appropriate in a particular situation. In LTFV investigations, the Department examines whether to compare weighted-average NVs to EPs (or CEPs) of individual

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⁶⁷ See Ferro Union, Inc. v. United States, 44 F. Supp. 2d 1310, 1334 (CIT 1999).

⁶⁸See Memorandum, "Analysis Memorandum for the Preliminary Determination of the Antidumping Duty Investigation of Fine Denier Polyester Staple Fiber from the Taiwan: Tainan Spinning Co., Ltd." (Analysis Memorandum), dated concurrently with this memorandum.

⁶⁹ See Certain Uncoated Paper from Indonesia: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 80 FR 51771, 51772 (August 26, 2015); unchanged in Certain Uncoated Paper from Indonesia: Final Determination of Sales at Less Than Fair Value, 81 FR 3101 (January 20, 2016).

transactions, *i.e.*, the average-to-transaction comparison method, as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In recent investigations, the Department has 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.⁷⁰ 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 comparison method in calculating weighted-average dumping margins.

The differential pricing analysis used in this preliminary determination examines whether there exists a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the 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 customer codes. Regions are defined using the reported destination code (*i.e.*, zip code) and grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POI being examined 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.

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, 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

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⁷⁰ 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); or Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value, 80 FR 61362 (October 13, 2015).

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 accounts 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 comparison 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 comparison method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average comparison 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 weightedaverage dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average comparison method and the appropriate alternative comparison method where both rates are above the *de minimis* threshold; or (2) the resulting weighted-average dumping margin 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 analysis used in this preliminary determination, including arguments for modifying the group definitions used in this proceeding.

B) Results of the Differential Pricing Analysis

For TSCL, based on the results of the differential pricing analysis, the Department finds that 72.43 percent of the value of U.S. sales pass the Cohen's d test, which 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

⁷¹ See Analysis Memorandum.

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 all U.S. sales. 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 TSCL.

IX. DATE OF SALE

Section 351.401(i) of the Department's regulations states that, in identifying the date of sale of the subject merchandise 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. 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.⁷² The material terms of sale normally include the price, quantity, delivery terms, and payment terms.⁷³ Finally, the Department has a long-standing practice of finding that, where the shipment date precedes the invoice date, the shipment date better reflects the date on which the material terms of sale are established.⁷⁴

TSCL reported the date of its government uniform invoice (GUI), which typically coincides with the date of shipment from the factory, as the date of sale for its home market sales and reported the earlier of shipment date from the factory or the date of the GUI as the date of sale for its U.S. sales. TSCL reported that the material terms of sale can change until the GUI is prepared and the product is shipped from the factory. Because the date of the GUI is the point in the sales process when the material terms of sale are final, we have used the date of the GUI, or consistent with our practice, the date of shipment from the factory if it is earlier than the date of the GUI, as the date of sale.

X. U.S. PRICE

Section 772(a) of the Act defines EP as "the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c)." In accordance with section 772(a) of the Act, we used the EP methodology for TSCL's sales because TSCL

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⁷² See 19 CFR 351.401(i); see also Allied Tube, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)).

⁷³ See, e.g., Carbon and Alloy Steel Wire Rod from Trinidad and Tobago: Final Results of Antidumping Duty Administrative Review, 72 FR 62824 (November 7, 2007), and accompanying Issue and Decision Memorandum at Comment 1; Notice of Final Determinations of Sales at Less Than Fair Value; Certain Cold-Rolled Flat-Rolled Carbon Quality Steel Products from Turkey, 65 FR 15123 (March 21, 2000), and accompanying Issues and Decision Memorandum at Issue 2 "Date of Sale," Comment 1.

⁷⁴ See, e.g., Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review, 72 FR 52065 (September 12, 2007) (Shrimp from Thailand), and accompanying IDM at Comment 11; see also Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany, 67 FR 35497 (May 20, 2002) (Steel Beams from Germany), and accompanying IDM at Comment 2.

sold the subject merchandise directly to the first unaffiliated purchaser in the United States before the date of importation.⁷⁵

We based the starting EP on packed prices to unaffiliated purchasers in, or for exportation to, the United States. In accordance with section 772(c)(2)(A) of the Act, where appropriate, we made deductions from the starting price (gross unit price) for movement expenses, which include, where appropriate, the following expenses: foreign inland freight, foreign brokerage and handling, foreign harbor construction fee, foreign trade promotion fee, certificate of origin fee, documentation fee, international freight, and marine insurance.⁷⁶

XI. NORMAL VALUE

A) Home Market Viability

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 equal to or greater than five percent of the aggregate volume of U.S. sales, we normally compare the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent's sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

We have determined that the aggregate volume of TSCL's home market sales of the foreign like product is greater than five percent of the aggregate volume of its U.S. sales of merchandise under consideration. Therefore, we used home market sales as the basis for NV for TSCL, in accordance with section 773(a)(1)(B) of the Act.

B) Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. ⁷⁷ Sales are made at different LOTs if they are made at different marketing stages (or their equivalent). ⁷⁸ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing. ⁷⁹ In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the distribution system in each market (*i.e.*, the chain of

⁷⁵ See TSCL's September 13, 2017 Section C Questionnaire Response at C-10.

⁷⁶ See Analysis Memorandum.

⁷⁷ See also section 773(a)(7)(A) of the Act.

⁷⁸ See 19 CFR 351.412(c)(2).

⁷⁹ Id.; see also Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum (OJ from Brazil), at Comment 7.

distribution), including selling functions, class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for comparison market sales, i.e., NV based on either home market or third country prices, we consider the starting prices before any adjustments. 80 For EP sales, the LOT is based on the starting price, which is usually the price from the exporter to the importer.⁸¹

TSCL reported one channel of distribution in both U.S. and the home markets and we found no significant differences in TSCL's selling functions in these markets.⁸² Therefore, we preliminarily find that, during the POI, TSCL sold the foreign like product and subject merchandise at the same LOT. Accordingly, all comparisons of EP to NV are at the same LOT, and thus a LOT adjustment pursuant to section 773(a)(7)(A) of the Act, 83 is not warranted.

Calculation of NV Based on Comparison Market Prices C)

For those comparison products for which there were an appropriate number of sales at prices above the cost of production (COP), we based NV on comparison market prices. We calculated NV based on packed, delivered or ex-works prices to unaffiliated customers in Taiwan. We made a deduction from the starting price for movement expenses, including inland freight and inland insurance under section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and for circumstances of sale (imputed credit expenses and other selling expenses), in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

When comparing U.S. sales with home market sales of merchandise similar to that sold in the U.S. market, we made adjustments for differences in costs attributable to differences in the physical characteristics of the merchandise, in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise.⁸⁴

D) Calculation of NV Based on CV

In accordance with section 773(e) of the Act, and where applicable, we calculated CV based on the sum of TSCL's material and fabrication costs, selling, general and administrative (SG&A) expenses, profit, and U.S. packing costs, as adjusted. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by TSCL in connection with the production and sale of the foreign like product at the most similar LOT as the U.S. sale, as discussed above, in the ordinary course of trade, for consumption in the comparison market. We made adjustments to CV for differences in circumstances of sale, in

⁸⁰ See 19 CFR 351.412(c)(1)(iii).

⁸¹ See 19 CFR 351.412(c)(1)(i).

⁸² See TSCL's August 24, 2017 Section A Questionnaire Response at Exhibit A-c-1.

⁸³ See Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27372 ("{t}he Department will not make a CEP offset where the Department bases normal value on home market sales at the same LOT as the CEP"). ⁸⁴ See 19 CFR 351.411(b).

accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410.

E) Cost of Production (COP) Analysis

1. <u>Calculation of COP</u>

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses (G&A) and interest expenses. We examined TSCL's cost data and determined that our quarterly cost methodology is not warranted. Therefore, we have applied our standard methodology of using annual average costs based on the reported data except as follows.

• We revised the cost for certain products to value internal transfers of material inputs at their full actual cost.

For additional details, *see* Memorandum to Neal M. Halper, Director of Office of Accounting, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – Tainan Spinning Co., Ltd.," dated December 18, 2017.

2. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's comparison market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) they were 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 COPs for the POI, they were 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.

We found that, for certain products, more than 20 percent of TSCL's home market sales during the POI were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We therefore excluded these sales and used the remaining sales, if any, as the basis for determining NV, in accordance with section 773(b)(1) of the Act.⁸⁵

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⁸⁵ See Analysis Memorandum.

XII. CURRENCY CONVERSION

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

XIII. VERIFICATION

As provided in section 782(i) of the Act, we intend to verify TSCL's information relied upon in making our final determination.

XIV. RECOMMENDATION

We recommend applying the above methodology for this preliminary determination.	
Agree	Disagree
Χ	

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