

A-583-831  
Administrative Review  
POR: 7/1/06 - 6/30/07  
Public Document  
AD/CVD/IA/I/2: HA

DATE: December 3, 2008

MEMORANDUM TO: David M. Spooner  
Assistant Secretary  
for Import Administration

FROM: Stephen J. Claeys  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Antidumping Duty  
Administrative Review on Stainless Steel Sheet and Strip in Coils–  
July 1, 2006, through June 30, 2007

### Summary

We have analyzed the comments of the interested parties in the 2006-2007 administrative review of the antidumping duty order covering stainless steel sheet and strip in coils (SSSSC) from Taiwan. After analyzing the comments received from interested parties, we have made no changes to the margin calculation from those presented in the preliminary results. We recommend that you approve the positions described in the “Discussion of the Issues” section of this memorandum. Below is the complete list of the issues in this administrative review on which we received comments from parties:

1. Affiliated Party Purchases
2. Financial Expense Ratio
3. Later-received Purchase Allowances

### Background

On August 5, 2008, the Department published in the Federal Register the preliminary results of administrative review of the antidumping duty order on SSSSC from Taiwan. See Stainless Steel Sheet and Strip in Coils from Taiwan: Preliminary Results and Preliminary Rescission in Part of Antidumping Duty Administrative Review, 73 FR 45393 (Aug. 5, 2008) (Preliminary Results). The period of review (POR) is July 1, 2006, through June 30, 2007.

We invited parties to comment on our preliminary results of review. In September 2008, we received a case brief from the petitioners<sup>1</sup> and a rebuttal brief from the sole respondent, Chia Far Industrial Factory Company, Ltd. (Chia Far). Based on our analysis of the comments received, we have not changed the results from those presented in the preliminary results.

### Discussion of the Issues

#### Comment 1: *Affiliated Party Purchases*

The petitioners argue that Chia Far's affiliated purchases of protective film during the POR were not at arm's-length prices. The petitioners contend that Chia Far's response does not demonstrate that the affiliated party purchases were made at arm's-length prices. See Letter from Lafave Associates to Secretary of Commerce, Chia Far Supplemental Section D Response, at Exhibit D-19 (June 17, 2008). The petitioners allege that on a monthly basis the data shows that prices paid to its affiliate Moonstar Poli-Film (Moonstar) were lower than prices paid to unaffiliated suppliers. Because the petitioners claim that the cost of protective film is an important part of the dumping analysis, they assert that the Department should adjust the reported costs to reflect a market value for the protective film obtained from Moonstar for the final results.

Chia Far asserts that it demonstrated that the average POR prices paid to Moonstar were at arm's length. Chia Far claims that this methodology is consistent with the Department's normal methodology. In support of this claim Chia Far cites Silicomanganese from Brazil: Final Results of Antidumping Duty Administrative Review, 69 FR 13813 (Mar. 24, 2004), and accompanying Issues and Decision Memorandum at Comment 7; Stainless Steel Wire Rods from India: Preliminary Results of Antidumping Administrative Review and Notice of Intent to Rescind Antidumping Duty Administrative Review in Part, 72 FR 52079, 52081 (Sept. 12, 2007), unchanged in Stainless Steel Wire Rods from India: Final Results of Antidumping Duty Administrative Review and Notice of Rescission of Antidumping Duty Administrative Review in Part, 72 FR 68123 (Dec. 4, 2007); and Certain Hot Rolled Carbon Steel Flat Products from Thailand: Final Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review, 72 FR 27802 (May 17, 2007). Furthermore, Chia Far notes that protective film is a minor input.

#### Department's Position:

Section 773(f)(2) of the Tariff Act of 1930, as amended (the Act), allows the Department to disregard transactions between affiliated parties if the amount of the transaction does not fairly reflect prices in the market. In this case, Chia Far purchased protective film from its affiliate Moonstar, and the Department tested the transactions between these affiliated parties to

---

<sup>1</sup> The petitioners are Allegheny Ludlum Corporation, AK Steel Corporation, United Auto Workers Local 3303, United Steelworkers of America, AFL-CIO/CLC, and Zanesville Armco Independent Organization.

determine whether such sales were made at market prices. Consistent with our practice<sup>2</sup>, we compared the POR price per square meter paid to Moonstar for each type of protective film (*i.e.*, polyethylene (PV) and polyvinyl chloride (PVC)) to the POR price per square meter paid to unaffiliated suppliers for the same type of protective film. We found that purchases of PE film were made at market prices, but that purchases of PVC film from Moonstar were not made at market prices. Therefore, in accordance with section 773(f)(2) of the Act, we accepted the transfer prices of PE film, but disregarded the transfer prices of PVC film purchased from Moonstar. Instead, we valued PVC film using Chia Far's reported purchases of PVC film from unaffiliated suppliers. However, this adjustment did not impact the cost of production (COP) or constructed value (CV). For the details of the analysis, see the December 3, 2008, Memorandum from James Balog to Neal M. Halper titled "Cost of Production and Constructed Value Calculation Adjustments for the Final Results—Chia Far Industrial Factory Co., Ltd."

Comment 2: *Financial Expense Ratio*

The petitioners assert that the Department should disallow Chia Far's interest income offset in the calculation of the financial expense ratio. The petitioners contend that the Department's practice is to allow an offset to financial expenses only for short-term interest income, and that the U.S. Court of International Trade (CIT) has upheld this approach. To support this claim the petitioners cite Gulf States Tube Division of Qualex Corp. v. United States, 981 F. Supp. 630 (CIT 1997); Certain Frozen Warmwater Shrimp from Ecuador: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 73 FR 39945 (July 11, 2008), and accompanying Issues and Decision Memorandum at Comment 3; Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan, 63 FR 8909, 8933 (Feb. 23, 1998); and Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany: Final Results of Antidumping Duty Administrative Review, 56 FR 31692, 31734 (July 11, 1991) (Antifriction Bearings). The petitioners additionally point out that the Department does not allow an offset for long-term financing activities, and to support this claim the petitioners cite Final Results of Antidumping Duty Administrative Review: Porcelain on Steel Cookware from Mexico, 60 FR 2378, 2379 (Jan. 9, 1995); Final Results of Antidumping Duty Administrative Review: Porcelain on Steel Cookware from Mexico, 58 FR 43327, 43332 (Aug. 16, 1993); Final Determination of Sales at Less Than Fair Value: Steel Wire Rope from Korea, 58 FR 11029, 11038 (Feb. 23, 1993); Final Results of Antidumping Duty Administrative Review: Frozen Concentrated Orange Juice from Brazil, 55 FR 26712 (June 29, 1990). The petitioners further argue that the record evidence does not show that Chia Far's interest income was short-term.

Chia Far asserts that the ledger it provided in its June 17, 2008, supplemental section D questionnaire response shows that the interest income was short-term. Chia Far adds that it could provide further documentation for the ledger entries that did not show the income period,

---

<sup>2</sup> See Stainless Steel Sheet and Strip in Coils from Taiwan: Final Results and Rescission in Part of Antidumping Duty Administrative Review, 73 FR 6932 (Feb. 6, 2008) and accompanying Issues and Decision Memorandum at Comment 7.

but the Department has not asked for any further documentation. Chia Far points out that for two entries it provided further documentation, which showed that the entries related to short-term interest income.

Department's Position:

In calculating COP and CV, it is the Department's practice to allow a respondent to offset financial expenses with short-term interest income. See Certain Frozen Warmwater Shrimp from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 73 FR 39940 (July 11, 2008) and accompanying Issues and Decision Memorandum at Comment 9 (Shrimp from Brazil). See also Antifriction Bearings, 56 FR at 31734. The CIT has upheld the Department's practice to calculate the financial expense offset with only short-term interest income. See Gulf States Tube Division of Quanax Corp. v. United States, 981 F. Supp. 630 (CIT 1997). Further, we note that the burden of proof to substantiate and document this adjustment is on the respondent making a claim for the offset. See Timken Company v. United States, 673 F. Supp. 495, 513 (CIT 1987); Grey Portland Cement and Clinker from Japan: Final Results of Antidumping Duty Administrative Review, 60 FR 43761, 43767 (Aug. 23, 1995); and Shrimp from Brazil at Comment 9. For purposes of these final results, we find that the evidence provided by Chia Far in this review demonstrates that the interest income used to offset financial expenses qualifies as short-term interest income. Therefore, we continue to allow Chia Far's short-term interest income as an offset in its financial expense rate calculation.

Comment 3: Later-received Purchase Allowances

The petitioners argue that the Department should disallow adjustments that Chia Far made to reduce its reported raw material costs for later-received purchase allowances or volume rebates. The petitioners contend that these adjustments were not recorded as deductions to raw material costs in Chia Far's audited financial statements. The petitioners assert that, according to section 773(f)(1)(A) of the Act, the Department will rely on a respondent's normal books and records if those records are kept in accordance with the respondent's home country generally accepted accounting principles (GAAP) and reasonably reflect the costs to produce the merchandise under consideration. The petitioners argue that Chia Far's books and records were kept in accordance with Taiwan GAAP, and that Chia Far has not claimed or demonstrated that these adjustments were necessary to reasonably reflect the actual costs to produce the merchandise under consideration. In support of their argument, the petitioners also contend that many of the rebates were not received during the POR. The petitioners cite Final Results and Partial Rescission of Antidumping Administrative Review: Stainless Steel Sheet and Strip in Coils from Taiwan, 67 FR 6682 (Feb. 13, 2002) and accompanying Issues and Decision Memorandum at Comment 19 (SSSSC from Taiwan 2000-2001 Final Results), where the Department rejected material purchase adjustments because they were "not included in the total actual cost of manufacturing reflected in the respondent's books and records during the POR."

Chia Far contends that the Department properly included the adjustment for later-received purchase allowances as a deduction to the costs of producing the merchandise under consideration. Chia Far explains that in its normal books and records it computes the costs of individual coils, but that the rebates are credited to the overall cost of goods sold and not to the individual coil cost. Therefore, Chia Far asserts that it was reasonable and necessary for it to depart from its normal books and records by assigning the rebates to the individual coils that earned them. Chia Far explains that because the rebate is received after the coils are purchased, some of the rebates were received after the POR. Chia Far contends that assigning these rebates that were received outside the POR to coils that became finished goods during the POR is consistent with the methodology the Department has accepted in prior reviews.

Department's Position:

In calculating the COP, according to section 773(f)(1)(A) of the Act, the Department relies on a respondent's normal books and records if those records are kept in accordance with the respondent's home country GAAP and reasonably reflect the costs to produce the merchandise under consideration. In this case, Chia Far's normal records included purchase allowances, i.e., quality claims and volume rebates, as adjustments to total costs in calculating the cost of goods sold on the company's financial statements. For reporting purposes, Chia Far assigned the purchase allowances to the specific coils that earned them and adjusted the raw material costs for each product for these rebates. Chia Far's methodology was not a departure from GAAP because the purchase allowances were included in Chia Far's audited financial statements which were prepared in accordance with Taiwan GAAP. Therefore we find that it is reasonable to assign the purchase allowance adjustments to the coils that earned them. Although this issue was not raised in prior segments of this proceeding, we believe that this methodology is consistent with our practice in prior reviews of this case. The circumstances in SSSSC from Taiwan 2000-2001 Final Results were different from the facts in this segment in that the purchase claims in that case were estimates rather than actual claims received. In this case the purchase allowance adjustments were actual rebates received from vendors and not estimates. Therefore, we continue to allow Chia Far's adjustments to its reported raw material costs for later-received purchase allowances.

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of review and the final weighted-average dumping margin for the reviewed firm in the Federal Register.

Agree\_\_\_\_\_

Disagree\_\_\_\_\_

---

David M. Spooner  
Assistant Secretary  
for Import Administration

---

(Date)