

**FINAL REMAND REDTERMINATION**  
**Diamond Sawblades Manufacturers' Coalition v. United States**  
**Court No. 15-00164, Slip Op. 17-36**

**Summary**

The Department of Commerce (the Department) has prepared these final results of remand redetermination in accordance with the March 31, 2017, order of the United States Court of International Trade (CIT or Court) in *Diamond Sawblades Manufacturers' Coalition v. United States*, 219 F. Supp. 3d 1368 (CIT 2017) (*Remand Order*). The litigation involves challenges to our *Final Results*<sup>1</sup> in the administrative review of the antidumping duty order on diamond sawblades and parts thereof (diamond sawblades) from the People's Republic of China (the PRC) covering the period of review November 1, 2012, through October 31, 2013.

In its *Remand Order*, the CIT remanded the *Final Results* back to the Department to explain its decisions with respect to the valuation of cores, and the selection of Trigger Co. Philippines, Inc.'s (Trigger) financial statements, a Philippine company.

As discussed in detail below, for these final results, the Department has modified the valuation of cores for Weihai Xiangguang Mechanical Industrial Co., Ltd. (Weihai) and provides further explanation for its use of its build-up methodology for the valuation of cores. The Department also reopened the record, solicited new financial statements, and subsequently selected financial statements from Thai Gulf Abrasive Co., Ltd. (Thai Gulf), a Thai company.

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<sup>1</sup> See *Diamond Sawblades and Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2012-2013*, 80 FR 32344 (June 8, 2015) (*Final Results*).

With these changes, the Department is also changing the final margin for Weihai and the rate assigned to the non-selected separate rate companies in the *Final Results*.

## **Background**

In the *Final Results*, we (1) valued cores Weihai purchased from unaffiliated non-market economy (NME) suppliers using the surrogate values for the factors of production (FOPs) Weihai used to produce the cores, also known as the “build-up methodology,” and (2) selected the financial statements of Trigger, a Philippine producer of comparable merchandise, over the financial statements of two Thai companies.

## **CIT’s Decision**

### Valuation of Steel Cores

In its *Remand Order*, the CIT ordered the Department to reconsider the issue of cores valuation. The Court stated that an analysis of the Diamond Sawblades Manufacturers’ Coalition’s (DSMC) proposed and the Department’s surrogate value method for cores implies that neither DSMC’s methodology nor the Department’s methodology seems to produce adequately representative surrogate values for cores.<sup>2</sup> The CIT ordered the Department to further consider certain issues involving our decision to: (1) reject DSMC’s proposed use of the average unit value (AUV) of Thai import data, and (2) continue to use the Department’s build-up methodology.<sup>3</sup> The CIT stated that the Department did not appear to have considered whether its build-up methodology adequately considered core weight, and that the build-up methodology in this review appears to produce “unreasonably low” valuations for many cores.<sup>4</sup> The CIT remanded the issue to the Department for further consideration on several points. In the *Final*

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<sup>2</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F. Supp. 3d, at 1376.

<sup>3</sup> *Id.* at 1373-76.

<sup>4</sup> *Id.* at 1374.

*Results*, the Department determined that DSMC's proposed AUV was unreasonably high. With regard to this finding, the CIT first noted that there was no guidance in the record from which to determine what was or was not unreasonably high.<sup>5</sup>

Second, in the *Final Results*, the Department rejected DSMC's comparison of its proposed Thai AUV with Weihai's purchase prices from NME suppliers because DSMC's comparison (1) was based on proprietary NME prices that do not necessarily represent industry-wide prices available to other producers and (2) did not properly take core weight into account. However, the CIT found that the Department also compared the Thai surrogate values against Weihai's own NME purchase prices and made the finding that Weihai's purchase prices do not necessarily represent industry-wide prices at which other PRC suppliers might be able to purchase cores.<sup>6</sup> The CIT stated that either the Department "believes it is appropriate to use Weihai's purchase prices to test the reasonableness of the surrogate value or it does not; it cannot have it both ways."<sup>7</sup>

Third, the CIT found that the Department's finding with respect to products covered by the Thai HTS subheading 8202.31.10 as "different" from the cores used in the production of diamond sawblades did not meaningfully distinguish the products.<sup>8</sup> Even as it acknowledged the differences that the Department found between Weihai's purchased cores and the comparable products covered by HTS subheading 8202.31.10<sup>9</sup> that formed the basis for DSMC's proposed

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<sup>5</sup> *Id.* at 1373.

<sup>6</sup> *Id.*

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

<sup>8</sup> *Id.* at 1374.

<sup>9</sup> HTS subheading 8202.31.10 covers blanks, under HTS subheading 8202.31, which covers circular saw blades of base metal, with working parts of steel, and parts thereof. *See* the Memorandum, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Surrogate Values for the Preliminary Results of Review" dated November 26, 2014, (Preliminary Surrogate Value Memo), at 7.

AUVs, the CIT listed a number of similarities between Weihai’s purchased cores and the comparable products covered by HTS subheading 8202.31.10. Specifically, the CIT stated:

Hence, given the close resemblance of diamond sawblade cores and cores for blades with a working part of steel, and given record evidence showing that both diamond sawblades cores and cores for blades with working parts of steel are produced from the same materials and by the same processes and costs, it is unclear why the agency found products covered by Thai HTS 8202.31.10 meaningfully “different” or why it found the Thai import data prima facie unsuitable as a means of valuing cores; nor, as the DSMC explain more fully in their confidential reply, does the verification report and its exhibits (referenced in the agency’s decision) elucidate Commerce’s thinking. The court agrees with the DSMC that Commerce appears to have overstated the differences and failed to address the many similarities.<sup>10</sup>

Thus, the CIT stated that because the record evidence shows that the two types of cores are highly similar, the Department was compelled to address this evidence.<sup>11</sup>

Lastly, the CIT held that the conclusion that the Department does “not need to resort” to import data when it “can value” using the build-up methodology: (1) seems to present a seemingly insurmountable hurdle to arguments in favor of an alternative methodology, and (2) glosses over the Department’s preference for official import data.<sup>12</sup>

### Financial Statements

In the *Final Results*, for the calculation of surrogate ratios, the Department selected the financial statements of Trigger, a company in the Philippines, over the financial statements of K.M. & A.A. Co., Ltd. (KM), and Tyrolit Thai Diamond Company Limited (Tyrolit), companies in Thailand. The CIT upheld our decision not to use the financial statements of KM and Tyrolit.

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<sup>10</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F. Supp. 3d, at 1374-75.

<sup>11</sup> *Id.* at 1375.

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

However, the CIT remanded for further consideration certain aspects of the use of Trigger's financial statements.

First, the CIT held that the Department did not articulate its basis to find the Philippines and the PRC to be economically comparable.<sup>13</sup> Second, the CIT requested that the Department provide support as to whether Trigger is a captive producer, *i.e.*, a company that sold its products primarily to its parent company, unlike the subject companies that sold their products to unaffiliated third parties, and whether its status as a captive producer would undermine the applicability of Trigger as an appropriate surrogate company.<sup>14</sup> The CIT also requested that the Department address the butterfly effect of Trigger's use of prison labor as reported in Trigger's financial statements. Specifically, the CIT requested that the Department evaluate the influence of prison labor on Trigger's overall financial picture, especially whether the use of prison labor materially alters Trigger's financial position and makes it non-comparable.

## **Discussion**

### Valuation of Steel Cores

In response to the CIT's remand order concerning cores valuation, we identified certain inadvertent errors in our cores valuation methodology that contributed to the alleged undervaluation. In the *Final Results*, we continued to use the cores valuation methodology we described in the *Preliminary Results*.<sup>15</sup> On remand, we discovered that in the *Final Results*, we inadvertently undervalued cores that Weihai purchased from unaffiliated NME suppliers because we multiplied per-piece surrogate values (SVs) for cores by the kilogram of cores reported

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<sup>13</sup> *Id.* at 1384.

<sup>14</sup> *Id.* at 1386.

<sup>15</sup> See *Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2012–2013*, 79 FR 71980 (December 4, 2014) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM) at 22, unchanged in *Final Results* and accompanying I&D Memo, at Comment 14.

instead of multiplying the SV per kilogram for cores by the kilogram of cores reported. In other words, in the *Final Results*, we multiplied SVs for cores by the quantity of cores based on inconsistent units of quantity. To correct this error, we converted the SV per piece into SV per kilogram so that we could multiply the SV per kilogram by the kilogram of cores reported.<sup>16</sup>

Additionally, in reconsidering the issue of cores valuation, the Department has refined its build-up methodology. In the *Final Results*, we averaged the SVs for steel regardless of steel types and did not take into consideration the steel and cores types and specification.<sup>17</sup> In this remand, we have modified the methodology such that the SVs for cores correspond to the type of steel used in the cores to be valued. Specifically, in the cores SVs we valued core type 1 using the SV for steel type 2, core types 3 and 4 using the SV for steel type 1, and core type 6 using the SV for steel type 5, such that the SVs used to value cores use the steel SV for the identical steel specifications.<sup>18</sup> This adjustment is consistent with the product specificity criteria for valuation of inputs.<sup>19</sup>

We also found that we made an error with the control numbers for which Weihai reported input quantities for both self-produced cores and purchased cores. Due to our error in the computer program used to value cores, we inadvertently omitted the valuation of purchased cores for those control numbers for which Weihai reported input quantities for both self-produced

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<sup>16</sup> See the Memorandum, “Diamond Sawblades and Parts Thereof From the People’s Republic of China: Draft Remand Analysis Memorandum for Weihai Xiangguang Mechanical Industrial Co., Ltd.” dated concurrently with this draft remand redetermination (Weihai Draft Remand Analysis Memo), draft remand log, at Part 7.

<sup>17</sup> See the Memorandum, “Antidumping Duty Administrative Review on Diamond Sawblades and Parts Thereof From the People’s Republic of China: Final Analysis Memorandum for Weihai Xiangguang Mechanical Industrial Co., Ltd.” dated June 2, 2015 (Weihai Final Analysis Memo), final margin log, at Part 7.

<sup>18</sup> See Weihai’s section D response dated June 12, 2014, at 13, and Weihai’s supplemental response dated November 12, 2014, at 1 for more details on the chemical and physical compositions of the steel and cores. See also the Weihai Draft Remand Analysis Memo at Exhibit 1 (Draft Remand Surrogate Values Spreadsheet).

<sup>19</sup> See *Diamond Sawblades and Parts Thereof From the People’s Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 35723 (June 24, 2014), and accompanying Issues and Decision Memorandum (I&D Memo), at Comment 17.

cores and purchased cores. This error also caused an undervaluation of certain cores. We are correcting the error by fixing the programming code as a part of our response to the CIT's remand order to address arguments concerning the alleged undervaluation that DSMC asserted.<sup>20</sup>

These errors, and the corrections thereof, are limited to Weihai only and do not affect Bosun because the cores valuation methodology at issue was used only for Weihai.<sup>21</sup> DSMC never claimed that our build-up methodology specifically undervalued Bosun's purchased cores.

In addition to these corrections, in accordance with the Court's remand order, we have provided further explanation of the issues identified by the Court. With respect to the CIT's order for a further consideration of our decision that we "do not need to resort" to import data when we "can value" using the build-up methodology, we stated in the *Final Results*:

When we can value cores respondents purchased from NME suppliers *using the inputs they used to self-produce the identical types of cores, i.e. cores for diamond sawblades*, we do not need to resort to an AUV derived from a Thai HTS subheading *for merchandise different from cores for diamond sawblades* ....<sup>22</sup>

The Court stated that this conclusion presented "a seemingly insurmountable hurdle to arguments in favor of an alternative methodology, which conclusion glosses over Commerce's previously expressed preference for official import data."<sup>23</sup> The Court recognized our practice of preferring surrogate values that are product-specific, representative of a broad market average, publicly available and contemporaneous with the period of review.<sup>24</sup> Both DSMC's AUV methodology using Thai import data and our build-up methodology are representative of a broad market average, publicly available, and contemporaneous with the period of review. Our build-up

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<sup>20</sup> See Weihai Draft Remand Analysis Memo, draft remand log, at Part 7.

<sup>21</sup> See *Preliminary Results* and accompanying PDM, at 22, where we explained the difference between our cores valuation methodology for Bosun and Weihai.

<sup>22</sup> See *Final Results* and accompanying I&D Memo, at Comment 14 (emphases added).

<sup>23</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F. Supp. 3d, at 1375.

<sup>24</sup> See *Final Results* and accompanying I&D Memo at Comment 14. See also *Preliminary Results* and accompanying PDM, at 19.

methodology uses the underlying inputs (*i.e.*, steel, labor, and electricity) that Weihai used to self-produce the identical types of cores.<sup>25</sup> We valued steel using the AUVs from import data that are product-specific, representative of a broad market average, publicly available, and contemporaneous with the period of review.<sup>26</sup> We also valued labor hours and electricity based on Thai labor and electricity data that are product-specific, representative of a broad market average, publicly available, and contemporaneous with the period of review.<sup>27</sup> DSMC's AUV methodology likewise uses import data from Thailand that is representative of a broad market average, publicly available, and contemporaneous with the period of review.<sup>28</sup>

However, as explained further below, our build-up methodology is product-specific and preferable in this instance because it more accurately reflects the value of the cores than DSMC's proposed use of Thai import data. Therefore, we are not following our normal methodology of using import data because the build-up methodology here is more product-specific, allowing us to value Weihai's cores using the inputs Weihai used to self-produce the identical types of cores, *i.e.*, cores with specific chemical and physical compositions designed to be a part of finished diamond sawblades.<sup>29</sup> Specifically, Weihai used steel with certain chemical and physical compositions that meet a minimum level of hardness of the cores to satisfy specific safety requirements.<sup>30</sup> Because there is no information on the record describing any specific chemical

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<sup>25</sup> See *Preliminary Results* and accompanying PDM, at 22.

<sup>26</sup> See *Final Results* and accompanying I&D Memo at Comment 17. See also *Preliminary Results* and accompanying PDM, at 19 and Preliminary Surrogate Value Memo at 7 and Exhibit 2.

<sup>27</sup> See *Preliminary Results* and accompanying PDM at 19-22, unchanged in *Final Results*.

<sup>28</sup> *Id.* at 19.

<sup>29</sup> Examples of physical compositions include cold-rolled steel, hot-rolled steel, alloy steel, non-alloy steel, thickness, *etc.* See Weihai's section D response dated June 12, 2014, at 13, and Weihai's supplemental response dated November 12, 2014, at 1 for more details on the chemical and physical compositions of the steel and cores. See also the Weihai Draft Remand Analysis Memo at Exhibit 1 (Draft Remand Surrogate Values Spreadsheet).

<sup>30</sup> See the Memorandum, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Factors of Production Verification of Weihai Xiangguang Mechanical Industrial Co., Ltd." dated February 20, 2015, at 12 and Exhibits 4 and 21 (Verification Report).



or physical composition, let alone the level of hardness, of the blanks covered under HTS subheading 8202.31.10, the build-up methodology is preferable because it is more product-specific than DSMC's proposed AUV.

On remand, the Court has asked us to address evidence that the Court said “shows that the two types of cores are highly similar,”<sup>31</sup> stating that it is “unclear why {the Department} found products covered by Thai HTS 8202.31.10 meaningfully ‘different’” from the cores used in the production of diamond sawblades or “why {the Department} found Thai import data *prima facie* unsuitable as a means of valuing cores.”<sup>32</sup> The Court has stated that both diamond sawblades cores and cores for blades with working parts of steel covered under HTS subheading 8202.31.10 are similar because they are produced from the same materials and by the same processes and costs.<sup>33</sup> They may be similar in general in that they are produced from steel possibly in a similar process; however, for purposes of the valuation of cores, they are not similar in other specific details. HTS subheading 8202.31.10 covers steel sawblades of “all chemistries and sizes,” and is thus, a broad category covering many chemical and physical compositions. The record does not contain any other details of the chemical and physical compositions of products covered by this HTS subheading.<sup>34</sup> Therefore, despite the general similarities in that both the cores Weihai purchased and the blades covered by HTS subheading 8202.31.10 are cut out from steel sheets or plates and have undergone similar treatment processes, there is no information on the record regarding the chemical and physical composition of the similar products covered by HTS subheading 8202.31.10.

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<sup>31</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F. Supp. 3d, at 1375.

<sup>32</sup> *Id.* at 1374-75.

<sup>33</sup> *Id.*

<sup>34</sup> See DSMC's comments on valuation of cores dated September 24, 2014.

On the other hand, as explained above, the record contains details regarding the chemical and physical compositions of the cores Weihai purchased and the steel Weihai consumed in its own production of cores.<sup>35</sup> Our use of SVs specific to the types of steel Weihai consumed in the production of cores relies on the fact that Weihai self-produced cores that are identical with purchased cores in chemical and physical compositions. The steel sawblades covered by HTS subheading 8202.31.10 are not related to diamond sawblade cores because, as the description of the product covered by this HTS subheading suggests, the category is too broad, covering products of “all chemistries and sizes.” Thus, the lack of information describing the chemical and physical compositions of the blades covered by HTS subheading 8202.31.10 is in a sharp contrast to our build-up methodology which can use detailed information on the record describing the chemical and physical compositions of the steel used in Weihai’s cores. Based on these facts, we find the SVs specific to the types of steel that Weihai consumed in its own production of cores to be the best available information to value cores that were purchased by Weihai.<sup>36</sup>

Moreover, with the modification in this remand to the valuation of cores discussed above, there is now a wider difference between the surrogate values based on steel type in our build-up methodology, and the products covered by HTS subheading 8202.31.10. As a result, our SVs for cores now correspond with the type of steel for the cores being valued. We are unable to match that level of product specificity using the Thai AUV under HTS subheading 8202.31.10, which

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<sup>35</sup> See Weihai’s section D response dated June 12, 2014, at 13, and Weihai’s supplemental response dated November 12, 2014, at 1 for more details on the chemical and physical compositions of the steel and cores. *See also* Weihai Draft Remand Analysis Memo at Exhibit 1 (Draft Remand Surrogate Values Spreadsheet).

<sup>36</sup> With respect to the Court’s finding that there is no guidance in the record from which to adduce what is “unreasonably high,” we agree. However, for the additional reasons discussed above, we continue to find that the build-up methodology is preferable because it is more product-specific.

covers a variety of products with “all chemistries and sizes.”<sup>37</sup> Therefore, with the refinement we are making in this remand redetermination, our build-up methodology will rely on the type of steel used in the core being valued. In other words, the revised build-up methodology permits the Department to assign a SV for a core based on the type of steel to produce the core being valued, which would not be possible with the AUV based on HTS subheading 8202.31.10.

As the CIT correctly noted, we rejected DSMC’s comparison of its proposed Thai AUV with Weihai’s purchase prices from NME suppliers because DSMC’s comparison: (1) was based on proprietary NME prices that do not necessarily represent industry-wide prices available to other producers; and (2) did not properly take core weight into account. The Court also stated that “Commerce itself compared the Thai surrogate value against Weihai’s own NME purchase prices . . .”<sup>38</sup> However, the reason we compared DSMC’s proposed Thai AUV to Weihai’s own NME purchase prices was not to analyze whether Weihai’s purchase prices necessarily represented industry-wide prices at which other PRC suppliers might be able to purchase cores. Rather, we compared DSMC’s proposed Thai AUV with Weihai’s own NME purchase prices to highlight flaws in the methodology DSMC used to compare its proposed Thai AUV with Weihai’s purchase prices from NME suppliers. In the *Final Results*, we stated:

We also find that *the petitioner’s methodology in attempting to demonstrate the reasonableness of its proposed AUV itself is flawed* because the petitioner did not take into account the weight of the cores that Weihai purchased from NME suppliers when the petitioner used the NME prices of these cores in its demonstration. We tested the petitioner’s methodology by taking into account the weight of these cores and we found that *the petitioner’s proposed AUV overvalues cores much more than the petitioner claims in its demonstration.*<sup>39</sup>

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<sup>37</sup> See DSMC’s surrogate values comments dated June 25, 2014, at Attachments 1 and 2, DSMC’s comments on valuation of cores dated September 24, 2014, and DSMC’s surrogate value rebuttal dated November 10, 2014, at Exhibit 10.

<sup>38</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F. Supp. 3d, at 1373.

<sup>39</sup> See *Final Results* and accompanying I&D Memo at Comment 14 (emphases added). See also Weihai Final Analysis Memo for additional analysis of the petitioner’s price comparisons, which include Weihai’s business proprietary information.

In other words, our comparison of DSMC's proposed Thai AUV with Weihai's NME purchase prices was intended to identify the distortion existing in DSMC's comparison methodology, not to independently demonstrate any unreasonableness in DSMC's proposed Thai AUV by relying on a comparison methodology that DSMC used and we rejected. Moreover, by making the corrections to the cores valuation calculation that we discuss at the outset of the remand, we have also addressed that Court's finding concerning whether our build-up methodology adequately considered core weight. By converting the SV for core from a per-piece basis to a per-kilogram basis, and then multiplying the SV for the core to the reported cores quantities on the same weight basis, the Department's build-up methodology accounts for weight.

Therefore, because our build-up methodology is more product-specific, we find it to be the best available information when compared with DSMC's proposed use of the AUV based on HTS subheading 8202.31.10.

#### Financial Statements

For the remand redetermination, the Department reopened the record to accept new financial statements from the six countries listed in the Office of Policy Memorandum.<sup>40</sup> Those six countries are South Africa, Colombia, Bulgaria, Thailand, Ecuador, and Indonesia.<sup>41</sup> DSMC submitted KM's 2012 financial statements and Thai Gulf Abrasive Co., Ltd.'s (Thai Gulf) 2013 financial statements.<sup>42</sup> Bosun submitted Thai Gulf's 2013 financial statements, Kinik-Thai Co., Ltd.'s (Kinik-Thai) 2013 financial statements, and Mitsui Grinding Technology (Thailand) Co.,

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<sup>40</sup> See the Memorandum, "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Diamond Sawblades ('DS') from the People's Republic of China ('China')," dated February 6, 2014 (Office of Policy Memorandum). See also the Letter to all interested parties, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Invitation for Submission of New Financial Statements," dated July 7, 2017.

<sup>41</sup> See Office of Policy Memorandum.

<sup>42</sup> See DSMC's Submission of New Financial Statements dated July 25, 2017.

Ltd.'s (Mitsui Grinding) 2013 financial statements.<sup>43</sup> The Department also invited parties to submit factual information that rebutted, corrected, or clarified the newly submitted financial statements.<sup>44</sup> In its rebuttal, DSMC submitted information stating that the financial statements of Kinik-Thai and Mitsui Grinding contained information indicating that these two companies were subsidy recipients.<sup>45</sup> DSMC also stated that Mitsui Grinding's financial statements did not have a sufficient breakout for purposes of calculating surrogate financial ratios.<sup>46</sup> No other parties submitted additional information.

For the remand redetermination, we have determined to use the 2013 financial statements of Thai Gulf because it is a producer of comparable merchandise, *i.e.*, grinding wheels,<sup>47</sup> in the primary surrogate country, and its financial statements are publicly available and contemporaneous with the POR. Moreover, both DSMC and Bosun submitted Thai Gulf's 2013 financial statements.<sup>48</sup>

We have determined not to use the 2013 financial statements of Kinik-Thai and Mitsui Grinding. The 2013 financial statements of these two companies report that both companies received subsidies under the Investment Promotion Act from the Thai Board of Investments.<sup>49</sup>

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<sup>43</sup> See Bosun's Surrogate Financial Statements Submission dated July 25, 2017.

<sup>44</sup> See the letter to all interested parties, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Invitation for Submission of New Financial Statements," dated July 7, 2017.

<sup>45</sup> See DSMC's Submission of Rebuttal Financial Statement Information dated July 28, 2017.

<sup>46</sup> *Id.*

<sup>47</sup> See DSMC's Submission of New Financial Statements dated July 25, 2017, at Exhibit 5, and Bosun's Surrogate Financial Statements Submission dated July 25, 2017, at Exhibit 2. The English translation of Thai Gulf's 2013 financial statements states that it "manufactures and sells ground and polished stones." *Id.* However, the Thai word translated as "ground and polished stones" in the English translation of Thai Gulf's 2013 financial statements actually means grinding wheels in Thai abrasives industry. *Id.* See also DSMC's Submission of New Financial Statements dated July 25, 2017, at Exhibit 3, the Memorandum, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Draft Remand Analysis Memorandum for Bosun Tools Co., Ltd." dated concurrently with this draft remand redetermination at 2, and Weihai Draft Remand Analysis Memo, at 2.

<sup>48</sup> See DSMC's Submission of New Financial Statements dated July 25, 2017, at Exhibit 5, and Bosun's Surrogate Financial Statements Submission dated July 25, 2017, at Exhibit 2.

<sup>49</sup> See Bosun's Surrogate Financial Statements Submission dated July 25, 2017, at Exhibit 5, Note 17, and Exhibit 8, Note 19; *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products From Thailand*, 66 FR 50410 (October 3, 2001), and accompanying I&D Memo at II. Programs Determined to Confer Subsidies, A. Incentives Under the Investment Promotion Act; and *Certain Frozen Warmwater Shrimp From*

We have previously found the Investment Promotion Act to be countervailable.<sup>50</sup> The Department's practice is not to rely on financial statements that contain references to programs that the Department previously found to be countervailable when there are other sufficiently reliable and representative data on the record for purposes of calculating surrogate financial ratios.<sup>51</sup> Because we have previously found the Investment Promotion Act to be countervailable,<sup>52</sup> we find that both Kinik Thai's and Mitsui Grinding's financial statements contain previously countervailed subsidies. Moreover, Mitsui Grinding's 2013 financial statements contain only one line item for factory overhead in these financial statements, *i.e.*, depreciation and amortization.<sup>53</sup> This is the same type of deficiency we identified in Tyrolit's 2013 financial statements.<sup>54</sup> We did not use Tyrolit's 2013 financial statements because, *inter alia*, they contained only one line item, *i.e.*, depreciation, as factory overhead.<sup>55</sup> The Court upheld this rationale for our decision not to use Tyrolit's 2013 financial statements.<sup>56</sup> Therefore, we determine that neither of the financial statements from these two companies, Kinik Thai and Mitsui Grinding, constitute the best available information on the record.

We also determine to not use KM's 2012 financial statements because it covers only the first two months of the POR, *i.e.*, November and December 2012,<sup>57</sup> and are thus less contemporaneous than the Thai Gulf 2013 financial statements, which cover 10 months of the POR, *i.e.*, January through October 2013.

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*Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013), and accompanying I&D Memo, at 7-10.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> See Bosun's Surrogate Financial Statements Submission dated July 25, 2017, at Exhibits 7 and 8.

<sup>54</sup> See *Final Results* and accompanying I&D Memo, at Comment 16.

<sup>55</sup> *Id.*

<sup>56</sup> See *Diamond Sawblades Manufacturers Coalition*, 219 F.Supp.3d, at 1379-81.

<sup>57</sup> See DSMC's Submission of New Financial Statements dated July 25, 2017, at Exhibit 1.

Lastly, because the record now contains financial statements from the primary surrogate country, we are no longer using Trigger's financial statements because our preference is to use surrogate values from a single surrogate country.<sup>58</sup> Trigger is a Philippine company and is thus not from the primary surrogate country. Moreover, unlike Thailand, the Philippines is not listed as a country that is at the same level of economic development as the PRC in the Office of Policy Memorandum. Therefore, Trigger's financial statements no longer constitute the best available information.

Accordingly, Thai Gulf's 2013 financial statements constitute the best available information on the record. They are from the primary surrogate country, contemporaneous, from a producer of comparable merchandise and are publicly available. Because the Department is relying on Thai Gulf's 2013 financial statements, it does not address certain questions raised by the Court concerning the selection of Trigger's financial statements as the best available information.

### **DSMC's Comments**

#### *Issue 1: Cores Valuation - Weihai*

DSMC claims that the Department's build-up methodology as corrected and refined in the draft remand redetermination continues to undervalue Weihai's purchased cores when compared to Weihai's self-produced cores. DSMC contends that the comparison of SVs that the Department calculated for Weihai's purchased cores using the build-up methodology with the SVs that the Department calculated for Weihai's self-produced cores with similar characteristics reveal continued undervaluation. DSMC argues, for example, that a piece of Weihai's self-produced core that [

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<sup>58</sup> See *Preliminary Results* and accompanying PDM at 14 ("... our preference is to value factors in a single surrogate country when possible, ...."), unchanged in the *Final Results*.

[ ], and is valued between [ ], whereas a piece of purchased core with the identical characteristics is valued between [ ]. With this example, DSMC explains that Weihai consumed [ ] but the identical purchased core [ ]. With this example, DSMC claims that the only known difference between these two cores is the fact that the former was a self-produced core and the latter was a purchased core. DSMC contends that, because the purchased core [ ], purchased cores were valued [ ] lower than self-produced cores.

DSMC claims that the [ ] appear to be, at least in part, a result of [ ] of cores. Accordingly, DSMC argues, the cost of [ ] in valuing purchased cores. According to DSMC, the average [ ] purchased cores.

Based on this analysis, DSMC requests that the Department increase [ ] and value [ ] Weihai's purchased cores.

In the alternative, DSMC requests that the Department explain why the current build-up methodology continues to be the best available information despite certain abnormalities.

Department's Position: For the final remand redetermination, we continue to use the build-up methodology as corrected and refined in the draft remand redetermination with no additional adjustments. As explained above, we identified causes of the undervaluation of Weihai's purchased cores in the *Final Results* and corrected the errors in this remand redetermination.



DSMC's claim of undervaluation of cores in the draft remand redetermination is based on its comparison of SVs for Weihai's purchased cores with the SVs for Weihai's self-produced cores with certain similar characteristics. However, DSMC's analysis compares products that do not have the exact same characteristics under the Department's refined build-up methodology. In its example, DSMC compared a self-produced core made from steel type [ ] with a purchased core type [ ], which is made from steel type [ ].<sup>59</sup> Because DSMC's analysis does not compare SVs for Weihai's self-produced cores with SVs for Weihai's purchased cores manufactured from the same steel type, we do not find DSMC's analysis that our refined methodology continues to undervalue Weihai's purchased cores to be persuasive.

In the draft remand redetermination, we refined the build-up methodology and explained as follows:

{W}e have modified the methodology such that the SVs for cores correspond to the type of steel used in the cores to be valued. Specifically, in the cores SVs we valued core type 1 using the SV for steel type 2, core types 3 and 4 using the SV for steel type 1, and core type 6 using the SV for steel type 5, such that the SVs used to value cores use the steel SV for the identical steel specifications. This adjustment is consistent with the product specificity criteria for valuation of inputs.

We valued steel types 1 at 67.75 Baht/kg, steel types 2 and 3 at 111.66 Baht/kg, and steel types 4 and 5 at 115.96 Baht/kg. Accordingly, we used different SVs for different steel types to value corresponding core types in our refinement methodology.<sup>60</sup> Specifically, using the example DSMC provided in its draft remand comments, because we valued steel type [ ] steel type [ ], the comparison between the valuation of a self-produced core made from steel type [ ] and a purchased core type [ ], which is made from steel type [ ] and thus valued using the SV

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<sup>59</sup> See DSMC's Comments on Draft Remand Redetermination dated August 31, 2017, at Exhibits 1 and 2.

<sup>60</sup> See the Memorandum, "Diamond Sawblades and Parts Thereof from the People's Republic of China: Draft Remand Analysis Memorandum for Weihai Xiangguang Mechanical Industrial Co., Ltd" dated August 22, 2017, at Exhibit 1, Surrogate Value tab.

for steel type [ ], explains the [ ] valuation of the former over the latter. Because of the [ ] valuation of steel type [ ] than steel type [ ], the difference of valuation between a self-produced core made of steel type [ ] and a purchased core type [ ], which is made of steel type [ ], does not demonstrate that we undervalued Weihai's purchased cores when compared to the valuation of cores made from steel with similar characteristics. Therefore, DSMC's comparison of SVs for Weihai's self-produced cores with SVs for Weihai's purchased cores does not follow our refinement methodology and, therefore, does not support its argument that our refined methodology continues to undervalue Weihai's purchased cores.<sup>61</sup> Because the SVs are different for each steel type used in the purchased cores and the steel type SVs used in our build-up methodology corresponds with the steel type used in the purchased core being valued, a comparison methodology that does not follow our refinement methodology is not a reliable basis to claim that our methodology is distorted and needs to be further adjusted.

An additional reason that DSMC arrives at a [ ] valuation of a self-produced core made from steel type [ ] than a purchased core type [ ], made from steel type [ ], is because the weight of steel scrap is included in the reported input quantity of steel type [ ] for the self-produced core. In the normal value determined through the build-up methodology, it is not appropriate to include the weight of scrap in the reported weight of the purchased core because the purchased core would be the core itself, exclusive of scrap that may have resulted from producing the core. Furthermore, in its comparison, DSMC does not take into account our offset of scrap from self-produced cores in the normal value calculation. In the underlying review, we verified Weihai's reporting of steel scrap that it generated from the production of its self-

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<sup>61</sup> See DSMC's Comments on Draft Remand Redetermination dated August 31, 2017, at Exhibits 1 and 2 for the comparison of the core types and the steel types, which contain Weihai's business proprietary information.

produced cores and sold to customers<sup>62</sup> and deducted steel scrap in the calculation of normal value.<sup>63</sup> DSMC's comparison relies on an SV for self-produced cores that is inclusive of steel scrap, which we deducted as scrap offset in the normal value calculation for self-produced cores. DSMC's proposal, if adopted, would [ ] steel reported for the production of self-produced cores to the quantity of steel reported for purchased cores, instead of offsetting steel scrap in the normal value calculation for self-produced cores.

Therefore, we do not find that DSMC's comparison of SVs for Weihai's self-produced cores and SVs for Weihai's purchased cores reasonably substantiates its claim of undervaluation in the corrected and refined build-up methodology.

*Issue 2: Cores Valuation - Bosun*

DSMC disagrees with the Department's finding that DSMC never claimed that our build-up methodology specifically undervalued Bosun's purchased cores. DSMC states that, in its administrative case brief, it argued for the use of its proposed Thai AUV to value purchased cores for both Bosun and Weihai. DSMC contends that, though the Department's statement appears to be based on DSMC's reliance on Weihai's data to support its request for the use of its proposed Thai AUV, it does not narrow the scope of DSMC's challenge nor does it excuse the Department from considering this issue as it applies to Bosun.

Department's Position: As explained above, the errors of undervaluation, and the corrections thereof, are limited to Weihai only and do not affect Bosun because the cores valuation methodology at issue was used only for Weihai. As explained in the *Preliminary Results*, we

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<sup>62</sup> See Verification Report, at 18-19 and Exhibit 16.

<sup>63</sup> See the Memorandum, "Antidumping Duty Administrative Review on Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Analysis Memorandum for Weihai Xiangguang Mechanical Industrial Co., Ltd.," dated November 26, 2014, at 6 (Weihai Preliminary Analysis Memo), unchanged in the *Final Results*.

“valued cores Bosun purchased using the same underlying inputs (*i.e.*, steel, labor, and electricity) that it used to produce its cores but, because Bosun provided the underlying inputs data for its purchased cores based on its self-produced cores that are similar to its purchased cores, we did not average the underlying data for inputs like we did for Weihai.”<sup>64</sup> Because of the way Bosun reported its purchased cores (*i.e.*, providing the underlying inputs data for its purchased cores based on its self-produced cores that are similar to its purchased cores, not the weight of the purchased cores like Weihai did), we cannot directly apply DSMC’s proposed Thai AUV to Bosun and the build-up methodology is the only way for us to value Bosun’s purchased cores. Moreover, although DSMC requested that we use its proposed Thai AUV for the valuation of cores for Bosun as well as Weihai, DSMC provided no data analysis or other evidence to support its argument or illustrate undervaluation of Bosun’s purchased cores. Therefore, we have no reason to find that we undervalued Bosun’s purchased cores. We made no changes to the valuation of Bosun’s purchased cores in this remand redetermination.

### *Issue 3: Financial Statements*

DSMC requests that the Department reverse its decision in the *Final Results* not to use KM’s 2013 financial statements. DSMC explains that the Department decided not to use KM’s 2013 financial statements for the *Final Results* because the Department did not have information on the record demonstrating that KM was a producer of comparable merchandise, *i.e.*, grinding wheels, during the period of review. DSMC claims that, in response to the Department’s reopening of the record for additional financial statements for this remand redetermination, it submitted information demonstrating that KM was a producer of comparable merchandise during the period of review. Specifically, DSMC points to the Department’s draft remand

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<sup>64</sup> See *Preliminary Results* and accompanying PDM, at 22 (internal citation omitted).

redetermination in which the Department found Thai Gulf to be a producer of grinding wheels during the period of review based on the information that DSMC submitted for this remand redetermination. DSMC contends that the same information can be used to determine that KM was a producer of grinding wheels and the Department could use KM's 2013 financial statements in addition to Thai Gulf's 2013 financial statements to calculate the surrogate financial ratios for this remand redetermination. DSMC asserts that KM's 2012 financial statements, which it submitted for this remand redetermination, also demonstrate that KM was a producer of grinding wheels during the period of review. DSMC explains that KM is a Thai company and its 2013 financial statements are publicly available and contemporaneous with the period of review just as Thai Gulf's 2013 financial statements are. For these reasons, DSMC argues, the Department should recalculate the surrogate financial ratios based on the 2013 financial statements of both KM and Thai Gulf.

DSMC disagrees with the Department's categorization of "work for hire" and "fuel and lubricant" in Thai Gulf's 2013 financial statements as labor and energy, respectively, in the recalculation of the surrogate financial ratios for the draft remand redetermination. DSMC argues that these two line items should be categorized as manufacturing overhead because Thai Gulf categorized them as manufacturing overhead. Specifically, DSMC argues that Thai Gulf's categorization of these two items under "Production Costs" along with other overhead expenses such as depreciation, rent, and factory equipment suggests that these two items are overhead. DSMC explains that, because these two expenses do not appear to be captured elsewhere in the calculation of the normal value, categorizing them as manufacturing overhead would not result in double counting. Specifically, DSMC contends that, because Thai Gulf's 2013 financial statements include separate, specific line items for electricity and direct labor, the labor and

energy that may be captured by “work for hire” and “fuel and lubricant” are of a different nature and are not direct labor and energy expenses, respectively. DSMC also contends that there is no basis to believe that “lubricant” is an energy input.

Department’s Position: For the final remand redetermination, we continue to use the recalculated surrogate financial ratios based on Thai Gulf’s 2013 financial statements only. In the *Final Results*, we declined to use KM’s 2013 financial statements not just because the English translation of KM’s 2013 financial statements stated that KM is a producer of non-comparable merchandise but also because KM’s 2013 financial statements lacked some details such as beginning and ending inventories.<sup>65</sup> Because we have Thai Gulf’s 2013 financial statements to calculate the surrogate financial ratios and because KM’s 2013 financial statements lack details as we explained in the *Final Results*, we continue to decline to use KM’s 2013 financial statements.

“Work for hire” is a contractor fee, according to DSMC’s submission of Thai Gulf’s 2013 financial statements.<sup>66</sup> In the underlying review, we treated subcontractor’s labor as direct and indirect labor and recalculated the direct and indirect labor to take into account the subcontractor’s labor.<sup>67</sup> Therefore, if we treat “work for hire” as manufacturing overhead in this remand redetermination, we would double count subcontractor labor, which has already been accounted for in our recalculation of labor in the underlying review. Therefore, we continue to treat “work for hire” as labor for purposes of calculating surrogate financial ratios.

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<sup>65</sup> See *Final Results* and accompanying I&D Memo at Comment 16 (“Moreover, KM’s financial statements lack detailed line items such as inventories open and closed.”).

<sup>66</sup> Compare DSMC’s Submission of New Financial Statements dated July 25, 2017, at Exhibit 5, and Bosun’s Surrogate Financial Statements Submission dated July 25, 2017, at Exhibit 2.

<sup>67</sup> See Weihai Preliminary Analysis Memo at 3-4, unchanged in the *Final Results*.

We continue to treat “fuel and lubricant” as energy in this remand redetermination. We note that in the underlying review, we treated “fuel and lubricant” as energy with no opposition from interested parties.<sup>68</sup> In any case, because we valued lubricant oil as direct materials in the SV calculation,<sup>69</sup> treating “fuel and lubricant” as manufacturing overhead would result in double counting lubricants. Therefore, we do not find it appropriate to categorize “fuel and lubricant” as manufacturing overhead. Further, because fuel is a source of energy, we find that it is most appropriate to categorize “fuel and lubricant” as energy and use it as a part of the denominator in the calculation of the surrogate financial ratios.<sup>70</sup>

We are unable to further dissect the financial statements of a surrogate company as if it were an interested party to the proceeding. Given the information we have for Thai Gulf’s 2013 financial statements, we must accept data from the surrogate producer’s financial statements, as we are not able to perform a line-by-line analysis of the types of expenses included in the “fuel and lubricant” category.

### **Final Results of Redetermination**

Pursuant to the *Remand Order*, we have reconsidered our determination as described above and recalculated the margin for Bosun and Weihai. Specifically, we modified the valuation of steel cores for Weihai, and used Thai Gulf’s 2013 financial statements for the calculation of margins for both mandatory respondents. Additionally, because the rate assigned

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<sup>68</sup> See the Memorandum, “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Surrogate Values for the Preliminary Results of Review” dated November 26, 2014, at Exhibit 2: Preliminary Results Surrogate Value Spreadsheet, Financial Ratio tab, unchanged in *Final Results*. See also the Memorandum, “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Surrogate Values for the Final Results of Review” dated June 2, 2015, at Exhibit 1: Surrogate Value Spreadsheet, Financial Ratios tab.

<sup>69</sup> See the Memorandum, “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Draft Remand Analysis Memorandum for Bosun Tools Co., Ltd., at Exhibit 1 (Draft Remand Surrogate Values Spreadsheet).

<sup>70</sup> See *Certain Activated Carbon from the People’s Republic of China: Final Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 70163 (November 25, 2014) (*Activated Carbon*), and accompanying I&D Memo at Comment 6B.

to the non-individually examined companies that were granted a separate rate in *Final Results* was the weighted average of the rates of Bosun and Weihai based on their ranged U.S. sales values, we have revised the dumping margins applicable to the non-selected separate rate respondents. The rates determined in this final remand are as follows:

<u>Company</u>	<u>Final Margin (Percent)</u>	<u>Remand Margin (Percent)</u>
Bosun Tools Co., Ltd.	1.51	0.99
Chengdu Huifeng Diamond Tools Co., Ltd.	2.34	3.20
Danyang City Ou Di Ma Tools Co., Ltd.	2.34	3.20
Danyang Huachang Diamond Tools Manufacturing Co., Ltd.	2.34	3.20
Danyang NYCL Tools Manufacturing Co., Ltd.	2.34	3.20
Danyang Tsunda Diamond Tools Co., Ltd.	2.34	3.20
Danyang Weiwang Tools Manufacturing Co., Ltd.	2.34	3.20
Guilin Tebon Superhard Material Co., Ltd.	2.34	3.20
Hangzhou Deer King Industrial and Trading Co., Ltd.	2.34	3.20
Hangzhou Kingburg Import & Export Co., Ltd.	2.34	3.20
Huzhou Gu's Import & Export Co., Ltd.	2.34	3.20
Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.	2.34	3.20
Jiangsu Inter-China Group Corporation	2.34	3.20
Jiangsu Youhe Tool Manufacturer Co., Ltd.	2.34	3.20
Pujiang Talent Diamond Tools Co., Ltd.	2.34	3.20
Qingdao Hyosung Diamond Tools Co., Ltd.	2.34	3.20



Qingyuan Shangtai Diamond Tools Co., Ltd.	2.34	3.20
Quanzhou Zhongzhi Diamond Tool Co. Ltd.	2.34	3.20
Rizhao Hein Saw Co., Ltd.	2.34	3.20
Saint-Gobain Abrasives (Shanghai) Co., Ltd.	2.34	3.20
Shanghai Jingquan Ind. Trade Co., Ltd.	2.34	3.20
Shanghai Starcraft Tools Company Limited	2.34	3.20
Weihai Xiangguang Mechanical Industrial Co., Ltd.	3.35	5.91
Wuhan Wanbang Laser Diamond Tools Co.	2.34	3.20
Xiamen ZL Diamond Technology Co., Ltd.	2.34	3.20
Zhejiang Wanli Tools Group Co., Ltd.	2.34	3.20

9/21/2017

X *Carole Showers*

Signed by: CAROLE SHOWERS

Carole Showers  
 Executive Director, Office of Policy  
 performing the duties of the Deputy Assistant Secretary  
 for Enforcement and Compliance