

FINAL SECOND REMAND REDETERMINATION
Diamond Sawblades Manufacturers' Coalition v. United States
Court No. 15-00164, slip op. 18-26

Summary

The Department of Commerce (Commerce) has prepared these final results of second remand redetermination in accordance with the March 22, 2018, order of the United States Court of International Trade (CIT or Court) in *Diamond Sawblades Manufacturers' Coalition v. United States*, 299 F. Supp. 3d 1374 (CIT 2018) (*Second Remand Order* or *Diamond Sawblades Manufacturers Coalition II*). The litigation involves challenges to Commerce's *Final Results*¹ in the administrative review of the antidumping duty order on diamond sawblades and parts thereof (diamond sawblades) from the People's Republic of China (China) covering the period of review November 1, 2012, through October 31, 2013. In its *Second Remand Order*, the CIT remanded the *Final Results* to Commerce to further explain its decisions with respect to the valuation of cores, and the decision not to use the audited 2013 financial statements of K.M. & A.A. Co., Ltd. (KM).

As discussed in detail below, for these final results of remand, Commerce has made certain changes to its build-up methodology for the valuation of cores for Weihai Xiangguang Mechanical Industrial Co., Ltd. (Weihai).² Additionally, we are now using KM's 2013 financial

¹ 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*).

² For a detailed description and discussion of the build-up methodology we used for the valuation of Weihai's purchased cores, 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), and accompanying Preliminary Decision Memorandum at 22, unchanged in *Final Results* and accompanying Issues and Decision Memorandum at Comment 14, amended in Final Remand Redetermination dated September 21, 2017, pursuant to *Diamond Sawblades Manufacturers' Coalition v. United States*, 219 F. Supp. 3d 1368 (CIT 2017), and

statements, as well as those of Thai Gulf Abrasive Co., Ltd. (Thai Gulf), to calculate the surrogate financial ratios. As a result of these changes, Commerce is revising the final margins for Bosun Tools Co., Ltd. (Bosun), Weihai, and the rate assigned to the non-selected separate rate companies in the *Final Results*.

Background

In the *Final Results*, Commerce used a build-up methodology to value Weihai's purchased cores and used the 2013 financial statements of Trigger Co. Philippines, Inc. (Trigger) to determine surrogate financial ratios.³ The CIT remanded the *Final Results* to address issues concerning the factors of production build-up methodology and the selection of Trigger's financial statements.⁴ In the First Remand Redetermination,⁵ we (1) identified and corrected two errors that contributed to the undervaluation of Weihai's purchased cores and explained that the corrected cores valuation methodology does not undervalue cores; and (2) re-opened the record, accepted additional financial statements, and selected the 2013 financial statements of Thai Gulf, a Thai company, to calculate the surrogate financial ratios. We declined to use KM's 2013 financial statements because we found that KM's 2013 financial statements were insufficiently detailed for purposes of calculating financial ratios.⁶

CIT's Decision

Valuation of Steel Cores

In challenging the first remand redetermination, the Diamond Sawblades Manufacturers' Coalition (DSMC) argued before the CIT that Commerce continued to undervalue Weihai's

available at <https://enforcement.trade.gov/remands/17-36.pdf>, *remanded, Second Remand Order* (First Remand Redetermination), at 5-9.

³ See *Final Results* and accompanying Issues and Decision Memorandum at Comments 14 and 16, respectively.

⁴ See *Diamond Sawblades Manufacturers' Coalition v. United States*, 219 F. Supp. 3d 1368 (CIT 2017).

⁵ See First Remand Redetermination.

⁶ *Id.* at 19-23.

purchased cores compared to self-produced cores. To support its argument, DSMC pointed to the difference in values between Weihai’s purchased cores and self-produced cores.⁷

The CIT stated that the United States had not “persuade{d} that a problem does not still exist with respect to the build-up methodology as applied to purchased cores in light of the apparent disparity in value(s) when compared to the value(s) the methodology sums for the self-produced cores”⁸ The CIT continued by explaining that “{c}eteris paribus, no rational producer would continue to self-produce cores if purchased cores can be had at values {...} lower than that of self-produced cores. There may be another explanation, but assuming that is not an inaccurate characterization of the problem (*i.e.*, the extent or degree of discrepancy), the court is not in a position to opine a reconciliation, which is a matter that at least requires further reconsideration and elucidation via second remand.”⁹

Financial Statements

In the first remand redetermination, Commerce used Thai Gulf’s 2013 financial statements and declined to use KM’s 2013 financial statements because we found that KM’s 2013 financial statements were not sufficiently detailed. In *Diamond Sawblades Manufacturer’s Coalition II*, the CIT found that KM’s 2013 financial statements and Thai Gulf’s 2013 financial statements “appear highly similar in overall detail.”¹⁰ Further, the CIT stated, “it still remains unclear to the court whether the KM statement is unusable”¹¹ While explaining that Commerce “cannot be faulted for not undertaking a side-by-side comparison of the financial

⁷ See *Diamond Sawblades Manufacturers Coalition II*, 299 F. Supp. 3d at 1378-79.

⁸ *Id.*

⁹ *Id.* (internal citations omitted). Interested parties can find the degrees of difference between purchased cores and self-produced cores cited by the CIT, which have been treated as business proprietary information, on page 9 of the confidential version of *Diamond Sawblades Manufacturers Coalition II*. See *Diamond Sawblades Manufacturers Coalition II*, Court No. 15-00164, slip op. 18-26, at 9 (Ct. Int’l Trade Mar. 22, 2018) (Confidential Version).

¹⁰ See *Diamond Sawblades Manufacturers Coalition II*, 299 F. Supp. 3d at 1382.

¹¹ *Id.*

statements in this instance,”¹² the CIT remanded for further explanation on whether substantial evidence supports Commerce’s decision not to use KM’s 2013 financial statements for lack of details and Commerce’s reliance on Thai Gulf’s 2013 financial statements alone in the first remand redetermination.¹³

Discussion

Valuation of Steel Cores

Commerce considers China to be a non-market economy (NME) country for purposes of antidumping duty proceedings. Therefore, in the underlying administrative review, we applied our NME methodology for determining normal value in accordance with section 773(c) of the Tariff Act of 1930, as amended (the Act). Pursuant to this methodology, we used surrogate values from the primary surrogate country, *i.e.*, Thailand, to value Weihai’s purchased cores and self-produced cores.¹⁴

Pursuant to the *Second Remand Order*, we have reconsidered the build-up methodology used to determine the value of Weihai’s purchased cores in the First Remand Redetermination. The CIT identified that the value of the purchased cores determined using the build-up methodology was considerably lower than the value of Weihai’s self-produced cores, which resulted in the CIT’s concern that a problem potentially existed with the build-up methodology applied by Commerce. Therefore, we have reexamined our methodology for valuing self-produced cores and compared that to the build-up methodology used to value purchased cores.

As an initial matter, cores (whether self-produced or purchased) are subject merchandise. Therefore, we find it appropriate to compare the methods used to determine surrogate values and

¹² *Id.* at 1382-83.

¹³ *Id.* at 1379-83.

¹⁴ See *Final Results* and accompanying Issues and Decision Memorandum at 5.

normal values for the cores, as relevant. In building up the surrogate value for Weihai's purchased cores, we relied on the weight of the steel in the purchased cores. We did not rely on the weight of the steel used to produce the purchased cores as we did in calculating the normal value for Weihai's self-produced cores. Therein lies the difference. Thus, for this final remand redetermination, Commerce has adjusted its build-up methodology for determining the surrogate value for purchased cores such that it is consistent with the methodology applied to determine the normal value of self-produced cores.

However, in the underlying administrative review, we did not solicit the weight of the steel used to produce Weihai's purchased cores; that information is not on the record. Accordingly, we must use the facts otherwise available, pursuant to section 776(a) of the Act. As facts otherwise available, we have used Weihai's reported experience in self-producing cores. Specifically, Weihai reported the variance between Weihai's actual weight of steel consumed in the production of cores and the standard weight of steel for the self-produced cores.¹⁵ We multiplied that variance by the standard weight of Weihai's purchased cores and added the product of this multiplication to the standard weight of Weihai's purchased cores. Then, using this adjusted value as the weight of steel used to produce the purchased cores, we determined the surrogate value for Weihai's purchased cores using the same methodology as in the first remand redetermination.¹⁶ Then, because Weihai's reported production experience includes an offset for scrap, we applied a scrap offset to the normal value, which includes the value for Weihai's purchased cores, using the scrap rate reported by Weihai.¹⁷

¹⁵ See Weihai's section D response dated June 12, 2014, at 11, and Exhibits D-8.1 and D-8.2, as amended in Weihai's supplemental response dated August 26, 2014, at Exhibit SD-25.

¹⁶ See First Remand Redetermination at 5-12, 15-19.

¹⁷ See Weihai's section D response dated June 12, 2014, at 22-23, and Exhibit D-13.

Financial Statements

With regard to the financial statements used to calculate surrogate financial ratios, we have re-examined the level of detail in KM's 2013 financial statements and find that it is, in fact, similar to the level of detail of Thai Gulf's 2013 financial statements.¹⁸ Specifically, KM's 2013 financial statements report specific raw materials costs, labor costs, energy costs, manufacturing overhead, traded/finished goods and changes in finished goods, selling, general, administrative, and interest expenses, and profit.¹⁹

When there is more than one usable financial statement on the record, our preference is to use multiple financial statements to calculate surrogate financial ratios.²⁰ Accordingly, we used KM's 2013 financial statements in addition to Thai Gulf's 2013 financial statements in our calculation of the surrogate financial ratios.

Interested Parties' Comments

DSMC's Comments

DSMC agrees with the second draft remand redetermination.²¹

Weihai's Comments

Weihai alleges that Commerce made a ministerial error in the margin calculation for Weihai in the second draft remand redetermination. Specifically, Weihai claims that, for a

¹⁸ See the second draft remand analysis memoranda for Bosun and Weihai dated July 3, 2018, at Exhibit 1.

¹⁹ 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, for Thai Gulf's 2013 financial statements. See DSMC's surrogate value comments dated November 3, 2014, at Exhibit 1, for KM's 2013 financial statements. See the second draft remand analysis memoranda for Bosun and Weihai dated July 3, 2018, at Exhibit 1, for specific line items for both companies' financial statements.

²⁰ See *Jiaxing Brother Fastener Co. v. United States*, 11 F. Supp. 3d 1326, 1331 (CIT 2014), *aff'd*, *Jiaxing Brother Fastener Co., Ltd. v. United States*, 822 F.3d 1289 (Fed. Cir. 2016). See also, e.g., *Dupont Teijin Films v. United States*, 997 F. Supp. 2d 1338, 1346 (CIT 2014) (“{w}hen the record contains multiple contemporaneous financial statements from different producers, Commerce’s practice is to average the financial statements to eliminate any potential distortions that may arise from any one producer’s statement.” (internal citation omitted)).

²¹ See DSMC's second draft remand comments dated July 13, 2018.

substantial number of U.S. sales transactions, six fields that Commerce created for the scrap offset for Weihai in the second draft remand redetermination contained missing values and, consequently, these U.S. sales transactions were excluded from the margin calculation.²² Weihai explains that, in order to include these U.S. sales transactions in the margin calculation, the margin calculation program should be modified to prevent the creation of missing values in these six fields for these U.S. sales transactions.

Commerce's Position

We agree with Weihai and have corrected the ministerial error.²³

Final Results of Redetermination

Pursuant to the *Second Remand Order*, we have reconsidered our determination as described above and recalculated the margin for Bosun and Weihai. Specifically, we revised the valuation of Weihai's purchased cores and we used KM's 2013 financial statements as well as Thai Gulf's 2013 financial statements to value financial ratios for our margin calculations. As discussed above, we also corrected for the ministerial error as identified by Weihei.

Additionally, because the rate assigned to the non-selected respondents that were granted a separate rate in the *Final Results* was the weighted average of the rates of Bosun and Weihai based on their ranged U.S. sales values, the CIT ordered the recalculation of the rate assigned to the non-selected separate rate respondents if the margins were to change for Bosun and Weihai as a result of this remand redetermination.²⁴ We have revised the dumping margins applicable to

²² See Weihai's second draft remand comments dated July 13, 2018.

²³ See the second final remand analysis memorandum for Weihai dated July 20, 2018, for more details containing Weihai's business proprietary information. See also Weihai's second draft remand comments dated July 13, 2018.

²⁴ See *Diamond Sawblades Manufacturers Coalition II*, 299 F. Supp. 3d at 1383.

the non-selected separate rate respondents accordingly. The rates determined in this final remand have changed from the *Final Results* as follows:

Exporter	Final Results Weighted-Average Margin (Percent)	Second Remand Weighted-Average Margin (Percent)
Bosun Tools Co., Ltd.	1.51	3.45
Chengdu Huifeng Diamond Tools Co., Ltd.	2.34	12.05
Danyang City Ou Di Ma Tools Co., Ltd.	2.34	12.05
Danyang Huachang Diamond Tools Manufacturing Co., Ltd.	2.34	12.05
Danyang NYCL Tools Manufacturing Co., Ltd.	2.34	12.05
Danyang Tsunda Diamond Tools Co., Ltd.	2.34	12.05
Danyang Weiwang Tools Manufacturing Co., Ltd.	2.34	12.05
Guilin Tebon Superhard Material Co., Ltd.	2.34	12.05
Hangzhou Deer King Industrial and Trading Co., Ltd.	2.34	12.05
Hangzhou Kingburg Import & Export Co., Ltd.	2.34	12.05
Huzhou Gu's Import & Export Co., Ltd.	2.34	12.05
Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.	2.34	12.05
Jiangsu Inter-China Group Corporation	2.34	12.05
Jiangsu Youhe Tool Manufacturer Co., Ltd.	2.34	12.05
Pujiang Talent Diamond Tools Co., Ltd.	2.34	12.05
Qingdao Hyosung Diamond Tools Co., Ltd.	2.34	12.05
Qingyuan Shangtai Diamond Tools Co., Ltd.	2.34	12.05

Quanzhou Zhongzhi Diamond Tool Co. Ltd.	2.34	12.05
Rizhao Hein Saw Co., Ltd.	2.34	12.05
Saint-Gobain Abrasives (Shanghai) Co., Ltd.	2.34	12.05
Shanghai Jingquan Ind. Trade Co., Ltd.	2.34	12.05
Shanghai Starcraft Tools Company Limited	2.34	12.05
Weihai Xiangguang Mechanical Industrial Co., Ltd.	3.35	22.57
Wuhan Wanbang Laser Diamond Tools Co.	2.34	12.05
Xiamen ZL Diamond Technology Co., Ltd.	2.34	12.05
Zhejiang Wanli Tools Group Co., Ltd.	2.34	12.05

7/20/2018

X 

Signed by: GARY TAVERMAN

Gary Taverman
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performing the non-exclusive functions and duties of the
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