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December 3, 2012

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

FROM: Gary Taverman 
Senior Advisor
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of 2010-2011
Antidumping Duty Administrative Review: Diamond Sawblades
and Parts Thereof from the People's Republic of China

SUMMARY

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on diamond sawblades and parts thereof ("diamond sawblades") from the People's Republic of China ("PRC") covering the period of review ("POR") November 1, 2010, through October 31, 2011. The Department has preliminarily determined that during the POR certain manufacturers/exporters covered by this review have made sales of subject merchandise at less than normal value. If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection ("CBP") to assess antidumping duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. We will issue the final results within 120 days from the date of publication of these preliminary results pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act).

BACKGROUND

On November 4, 2009, the Department published in the *Federal Register* an antidumping duty order on diamond sawblades from the PRC.¹ On November 1, 2011, the Department published in the *Federal Register* a notice of opportunity to request an administrative review of the order.²

¹ See *Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea: Antidumping Duty Orders*, 74 FR 57145 (November 4, 2009) (*AD Orders*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 76 FR 67413 (November 1, 2011).



Based on timely requests for an administrative review, the Department initiated an administrative review on December 30, 2011.³

On February 13, 2012, we selected Beijing Gang Yan Diamond Products Co. (“BGY”), and Weihai Xiangguang Mechanical Industrial Co., Ltd. (“Weihai”), for individual examination in this review. *See* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Selection of Respondents for Individual Examination” dated February 13, 2012 (“Respondent Selection Memo”).

The Department originally extended the deadline for these preliminary results until November 29, 2012.⁴ As explained in the memorandum from the Assistant Secretary for Import Administration, the Department has exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29, through October 30, 2012. Thus, all deadlines in this segment of the proceeding have been extended by two days. The revised deadline for the preliminary results of this review is now December 3, 2012 (given that December 1, the tolled deadline, falls on a weekend).⁵

FRAUD ALLEGATIONS

On March 29, 2012, the petitioner, Diamond Sawblades Manufacturers’ Coalition (“DSMC”), submitted an allegation that Chinese and Korean producers of diamond sawblades had sold subject merchandise in the United States bearing a false country of origin designation and requested that the Department take information related to this allegation into consideration in both the first and second administrative reviews. The Department rejected on April 4, 2012, the petitioner’s March 29, 2012 submission due to bracketing deficiencies, but accepted an amended version of this letter on April 5, 2012. The petitioner submitted additional information regarding its customs fraud allegation on April 9, 2012, which related to both the first and second administrative reviews. Weihai and Qingdao Shinhan Diamond Industrial Co., Ltd., submitted comments on the petitioner’s allegation on April 11, 2012, and April 13, 2012, respectively. On April 18, 2012, the Department requested that the petitioner provide additional documentation related to its fraud allegation, which the petitioner provided on May 1, 2012.

The petitioner requests that the Department take information related to this allegation into consideration in both the first and second administrative reviews. We continue to examine this allegation. The Department recently completed verifications in the first administrative review at which the facts surrounding the fraud allegation were examined thoroughly. We intend to release the verification reports and issue a post-preliminary determination addressing the petitioner’s fraud allegation.

³ *See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 76 FR 82268 (December 30, 2011) (*Initiation Notice*).

⁴ *See* Memorandum from David Layton to Gary Taverman, dated July 27, 2012, entitled “*Diamond Sawblades and Parts Thereof From the People’s Republic of China: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Reviews.*”

⁵ *See* Memorandum to the Record from Paul Piquado, regarding “Tolling of Administrative Deadlines As a Result of the Government Closure During the Recent Hurricane,” dated October 31, 2012.

SCOPE OF THE ORDER

The products covered by the order are all finished circular sawblades, whether slotted or not, with a working part that is comprised of a diamond segment or segments, and parts thereof, regardless of specification or size, except as specifically excluded below. Within the scope of the order are semifinished diamond sawblades, including diamond sawblade cores and diamond sawblade segments. Diamond sawblade cores are circular steel plates, whether or not attached to non-steel plates, with slots. Diamond sawblade cores are manufactured principally, but not exclusively, from alloy steel. A diamond sawblade segment consists of a mixture of diamonds (whether natural or synthetic, and regardless of the quantity of diamonds) and metal powders (including, but not limited to, iron, cobalt, nickel, tungsten carbide) that are formed together into a solid shape (from generally, but not limited to, a heating and pressing process).

Sawblades with diamonds directly attached to the core with a resin or electroplated bond, which thereby do not contain a diamond segment, are not included within the scope of the order. Diamond sawblades and/or sawblade cores with a thickness of less than 0.025 inches, or with a thickness greater than 1.1 inches, are excluded from the scope of the order. Circular steel plates that have a cutting edge of non-diamond material, such as external teeth that protrude from the outer diameter of the plate, whether or not finished, are excluded from the scope of the order. Diamond sawblade cores with a Rockwell C hardness of less than 25 are excluded from the scope of the order. Diamond sawblades and/or diamond segment(s) with diamonds that predominantly have a mesh size number greater than 240 (such as 250 or 260) are excluded from the scope of the order. Merchandise subject to the order is typically imported under heading 8202.39.00.00 of the Harmonized Tariff Schedule of the United States (HTSUS). When packaged together as a set for retail sale with an item that is separately classified under headings 8202 to 8205 of the HTSUS, diamond sawblades or parts thereof may be imported under heading 8206.00.00.00 of the HTSUS. On October 11, 2011, the Department included the 6804.21.00.00 HTSUS classification number to the customs case reference file, pursuant to a request by CBP.⁶ The tariff classification is provided for convenience and customs purposes; however, the written description of the scope of the order is dispositive.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country Status

The Department considers the PRC to be a non-market economy (“NME”) country. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority.⁷ None of the parties to this proceeding has contested NME treatment for the PRC. Therefore, for the preliminary

⁶ See *Diamond Sawblades and Parts Thereof From the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 76128 (December 6, 2011).

⁷ See *Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the 2004/2005 Administrative Review and Preliminary Notice of Intent To Rescind the 2004/2005 New Shipper Review*, 71 FR 26736 (May 8, 2006), unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of Rescission of 2004/2005 New Shipper Review*, 71 FR 66304 (November 14, 2006).

results of this review, we have treated the PRC as an NME country and applied our current NME methodology in accordance with section 773(c) of the Act.

Separate Rates

There is a rebuttable presumption that all companies within the PRC are subject to government control and, thus, should be assessed a single antidumping duty rate.⁸ In the *Initiation Notice*, the Department notified parties of the application process by which exporters and producers may obtain separate rate status in NME proceedings.⁹ It is the Department's policy to assign all exporters of the merchandise subject to review in NME countries a single rate unless an exporter can affirmatively demonstrate an absence of government control, both in law (*de jure*) and in fact (*de facto*), with respect to exports. To establish whether a company is sufficiently independent to be entitled to a separate, company-specific rate, the Department analyzes each exporting entity in an NME country under the test established in *Sparklers*,¹⁰ as amplified by *Silicon Carbide*.¹¹ However, if the Department determines that a company is wholly foreign-owned or located in a market economy ("ME"), then a separate rate analysis is not necessary to determine whether it is independent from government control.¹²

In this administrative review, 21 companies submitted separate rate information. The remaining companies under review did not provide either a separate rate application ("SRA") or separate rate certification ("SRC"), as applicable. Therefore, the Department preliminarily determines that there were exports of merchandise under review from PRC exporters that did not demonstrate their eligibility for separate rate status. As a result, the Department is treating these PRC exporters as part of the PRC-wide entity.¹³

Separate Rate Respondents

1) Wholly Foreign-Owned

Weihai Xiangguang Mechanical Industrial Co., Ltd. ("Weihai"), which was selected for individual examination, reported that it is wholly-owned by a company located in an ME country. Therefore, there is no PRC ownership of this company and, because the Department has no evidence indicating that it is under the control of the PRC, a separate rates analysis is

⁸ See *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China*, 71 FR 53079, 53082 (September 8, 2006); *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof From the People's Republic of China*, 71 FR 29303, 29307 (May 22, 2006).

⁹ See *Initiation Notice*, 76 FR at 82269.

¹⁰ See *Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China*, 56 FR 20588 (May 6, 1991) ("Sparklers")

¹¹ See *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide From the People's Republic of China*, 59 FR 22585 (May 2, 1994) ("Silicon Carbide").

¹² See, e.g., *Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles From the People's Republic of China*, 72 FR 52355, 52356 (September 13, 2007).

¹³ See "PRC-Wide Entity" section below.

not necessary.¹⁴

Additionally, Saint-Gobain Abrasives (Shanghai) Co., Ltd. (“Saint-Gobain”),¹⁵ which is under review but not selected for individual examination, demonstrated in its SRA that it is wholly foreign owned by companies located in ME countries. Accordingly, the Department has preliminarily granted separate rate status to this company.

2) *Joint Ventures Between Chinese and Foreign Companies or Wholly Chinese-Owned Companies*

The following Separate Rate Respondents stated that they are either joint ventures between Chinese and foreign companies or are wholly Chinese-owned companies:

ATM Single Entity¹⁶

Bosun Tools Co., Ltd.¹⁷

Chengdu Huifeng Diamond Tools Co., Ltd.

Danyang Huachang Diamond Tools Manufacturing Co., Ltd.

Danyang NYCL Tools Manufacturing Co., Ltd.

Danyang Weiwang Tools Manufacturing Co., Ltd.

Guilin Tebon Superhard Material Co., Ltd.

Hangzhou Deer King Industrial & Trading Co., Ltd.

Hebei Husqvarna-Jikai Diamond Tools Co., Ltd.

Huzhou Gu’s Import & Export Co., Ltd.

Jiangsu Fengtai Diamond Tool Manufacture Co., Ltd.

Jiangsu Inter-China Group Corporation¹⁸

Jiangsu Youhe Tool Manufacturer Co., Ltd.¹⁹

Quanzhou Zhongzhi Diamond Tool Co. Ltd.

Rizhao Hein Saw Co., Ltd.

¹⁴ See, e.g., *Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles From the People's Republic of China*, 72 FR 52355, 52356 (September 13, 2007); *Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the Fourth New Shipper Review and Rescission of the Third Antidumping Duty Administrative Review*, 66 FR 1303, 1306 (January 8, 2001), unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of Fourth New Shipper Review and Rescission of Third Antidumping Duty Administrative Review*, 66 FR 27063 (May 16, 2001); *Notice of Final Determination of Sales at Less Than Fair Value: Creatine Monohydrate From the People's Republic of China*, 64 FR 71104 (December 20, 1999).

¹⁵ Saint-Gobain reported that Saint-Gobain Abrasives Inc., a company for which we initiated this review in *Initiation Notice*, 76 FR at 82271, is its U.S. affiliate. See Saint-Gobain’s February 28, 2012, SRA at 9.

¹⁶ See “Affiliation” section *infra*.

¹⁷ Bosun Tools Co., Ltd. was previously known as Bosun Tools Group Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 76 FR at 82270. See *Diamond Sawblades and Parts Thereof From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Intent To Rescind Review in Part*, 76 FR 76135, 76137 (December 6, 2011).

¹⁸ Jiangsu Inter-China Group Corporation was previously known as Zhenjiang Inter-China Import & Export Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 76 FR at 82271. See Jiangsu Inter-China Group Corporation’s August 6, 2012, supplemental SRA at Exhibit S-1.

¹⁹ Jiangsu Youhe Tool Manufacturer Co., Ltd. was previously known as Danyang Youhe Tool Manufacturer Co., Ltd., a company for which we initiated this review in *Initiation Notice*, 76 FR at 82271. See Jiangsu Youhe Tool Manufacturer Co., Ltd.’s February 28, 2012, SRA at 4 and Exhibit 1.

Shanghai Robtol Tool Manufacturing Co., Ltd.
Wuhan Wanbang Laser Diamond Tools Co.
Xiamen ZL Diamond Technology Co., Ltd.²⁰
Zhejiang Wanli Tools Group Co., Ltd.

In accordance with our practice, the Department has analyzed whether these Separate Rate Respondents have demonstrated the absence of *de jure* and *de facto* governmental control over their respective export activities.

a) *Absence of De Jure Control*

The Department considers the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies.²¹

The evidence provided by the above-listed companies supports a preliminary finding of *de jure* absence of government control based on the following: (1) an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) there are applicable legislative enactments decentralizing control of the companies; and (3) there are formal measures by the government decentralizing control of the companies.

b) *Absence of De Facto Control*

Typically the Department considers four factors in evaluating whether each respondent is subject to *de facto* government control of its export functions: (1) whether the export prices are set by or are subject to the approval of a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses.²²

The Department has determined that an analysis of *de facto* control is critical in determining whether the respondents are, in fact, subject to a degree of government control over export activities which would preclude the Department from assigning separate rates. For the above-listed companies, we determine that the evidence on the record supports a preliminary finding of *de facto* absence of government control based on record statements and supporting documentation showing the following: (1) the respondent sets its own export prices independent of the government and without the approval of a government authority; (2) the respondent

²⁰ Xiamen ZL Diamond Technology Co., Ltd. stated that its name before the POR was Xiamen ZL Diamond Tools Co., Ltd., for which we initiated this review in *Initiation Notice*, 76 FR at 82271. See Xiamen ZL Diamond Technology Co., Ltd.'s February 22, 2012, SRA at 2.

²¹ See *Sparklers*, 56 FR at 20589.

²² See *Silicon Carbide*, 59 FR at 22586-87; see also *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995).

retains the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses; (3) the respondent has the authority to negotiate and sign contracts and other agreements; and (4) the respondent has autonomy from the government regarding the selection of management.

The evidence placed on the record of this review by the above-listed companies demonstrates an absence of *de jure* and *de facto* government control with respect these companies' exports of the merchandise under review, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Therefore, we are preliminarily granting the above-listed companies a separate rate.

3) *Separate Rate for Non-Selected Companies*

In accordance with section 777A(c)(2)(B) of the Act, we selected companies within the ATM Single Entity and Weihai for individual examination because we did not have the resources to examine all companies for which a review was requested.²³

The statute and the Department's regulations do not address the establishment of a rate to be applied to individual companies not selected for examination when the Department limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally we have used section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for respondents we did not examine in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference that we do not calculate an all-others rate using any zero or *de minimis* margins or any margins based entirely on facts available. Accordingly, the Department's usual practice has been to average the rates for the selected companies, excluding zero, *de minimis*, and rates based entirely on facts available.²⁴

Because the weighted-average antidumping duty margin for the ATM Single Entity is zero, the antidumping duty margin for Weihai is the only weighted-average margin which is applicable to companies not selected for individual examination and eligible for a separate rate. Accordingly, for the preliminary results of this review, we are assigning the rate of 33.88 percent to companies not selected for individual examination and eligible for a separate rate. In assigning this separate rate, we did not impute the actions of any other companies to the behavior of the companies not individually examined but based this determination on record evidence that may be deemed reasonably reflective of the potential dumping margin for the companies not selected for individual examination and eligible for a separate rate in this administrative review.

4) *PRC-Wide Entity*

In the *Initiation Notice*, the Department stated that if one of the companies for which this review was initiated “does not qualify for a separate rate, all other exporters of Diamond Sawblades and Parts Thereof from the PRC who have not qualified for a separate rate are

²³ See Respondent Selection Memo.

²⁴ See, e.g., *Ball Bearings and Parts Thereof From France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and the accompanying Issues and Decision Memorandum (“I&D Memo”) at Comment 16.

deemed to be covered by this review as part of the single PRC entity of which the named exporters are a part.”²⁵ As explained above, we limited the number of companies individually reviewed. Non-selected companies were able to avail themselves of the SRA and the SRC, which were posted on the Import Administration’s website.²⁶ Because certain parties for which a review was requested did not apply for separate rate status, they did not demonstrate eligibility for a separate rate and remain part of the PRC-wide entity, which is considered to be part of this review.²⁷ We have preliminarily determined that 27 companies did not demonstrate their eligibility for a separate rate and are properly considered part of the PRC-wide entity.²⁸ Specifically, 27 companies under review did not submit either SRAs or SRCs as required. Among these 27 companies are China Iron & Steel Research Institute Group (CISRI), which filed a no shipment letter,²⁹ and Danyang Hantronic Import & Export Co., Ltd. (Danyang Hantronic), which timely withdrew its request for review of itself.³⁰ Because these two companies were not given separate rates in the last completed segment of proceeding, they are considered part of the PRC-wide entity. For the PRC-wide entity, we continue to use the PRC-wide rate of 164.09 percent determined in the original investigation.³¹

Fujian Quanzhou Wanlong Stone Co., Ltd. (“Fujian Quanzhou”), which received a separate rate in the investigation,³² filed a no shipment letter.³³ Information on the record does not support Fujian Quanzhou’s no-shipment claim.³⁴ We intend to examine this issue further after the preliminary results. Based on the conflicting evidence and the fact that Fujian Quanzhou did not submit either an SRA or an SRC in this review, we preliminarily determine that Fujian Quanzhou is not entitled to a separate rate and that it is part of the PRC-wide entity.

²⁵ See *Initiation Notice*, 76 FR at 82268, footnote 5.

²⁶ See *Initiation Notice*.

²⁷ See, e.g., *Honey From the People's Republic of China: Preliminary Results of Review*, 77 FR 46699, 46700 (August 6, 2012); *Certain Preserved Mushrooms From the People's Republic of China; Preliminary Results of Antidumping Duty Administrative Review*, 71 FR 64930, 64933 (November 6, 2006).

²⁸ Accordingly, the PRC-wide entity includes the following companies: Central Iron and Steel Research Institute Group, CISRI, Danyang Aurui Hardware Products Co., Ltd., Danyang Dida Diamond Tools Manufacturing Co., Ltd., Danyang Hantronic, Danyang Tsunda Diamond Tools Co., Ltd., Danyang Youmei Tools Co., Ltd., Electrolux Construction Products (Xiamen) Co. Ltd., Fujian Quanzhou Wanlong Stone Co., Ltd., Hebei Jikai Industrial Group Co., Ltd., Hua Da Superabrasive Tools Technology Co., Ltd., Huachang Diamond Tools Manufacturing Co., Ltd., Jiangsu Fengyu Tools Co., Ltd., Jiangyin Likn Industry Co., Ltd., Protech Diamond Tools, Pujiang Talent Diamond Tools Co., Ltd., Quanzhou Shuangyang Diamond Tools Co., Ltd., Shanghai Deda Industry & Trading Co., Ltd., Shijiazhuang Global New Century Tools Co., Ltd., Sichuan Huili Tools Co., Task Tools & Abrasives, Wuxi Lianhua Superhard Material Tools Co., Ltd., Zhejiang Tea Import & Export Co., Ltd., Zhejiang Wanda Import and Export Co., Zhejiang Wanda Tools Group Corp., Zhejiang Wanli Super-hard Materials Co., Ltd., and Wanli Tools Group.

²⁹ See the no shipment letter filed by CISRI on February 27, 2012.

³⁰ See the letter from Danyang Hantronic dated March 28, 2012.

³¹ See *Certain Magnesite Carbon Bricks From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Critical Circumstances (Final LTFV Determination)*, 75 FR 45468 (August 2, 2010)

³² See, e.g., *AD Orders*, 74 FR at 57146.

³³ See Fujian Quanzhou Wanlong Stone Co., Ltd.’s no shipment letter dated February 21, 2012.

³⁴ See the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Placement of Documents on the Record” dated November 27, 2012.

Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base normal value, in most circumstances, on the NME producer's factors of production ("FOP"), valued in a surrogate market economy ("ME") country or countries considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department shall utilize, to the extent possible, the prices or costs of FOPs in one or more ME countries that are: (1) at a level of economic development comparable to that of the NME country; and (2) significant producers of comparable merchandise.³⁵

The Department determined that Colombia, Indonesia, Peru, Philippines, South Africa, Thailand, and Ukraine are countries whose per capita gross national incomes ("GNI") are comparable to the PRC in terms of economic development.³⁶ On January 19, 2012, the Department requested comments from interested parties regarding the selection of a surrogate country and surrogate values ("SVs").³⁷ Respondents recommended that we find India³⁸ to be economically comparable to the PRC based on economic metrics other than per capita GNI.³⁹ Additionally, Weihai argued for assigning greater weight to the significant production criterion.⁴⁰ In the alternative, Weihai argued that South Africa should be chosen as the surrogate country based on its "vast industrial base for diamond products" including the presence of a handful of producers of subject merchandise.⁴¹ The petitioner recommended that we select South Africa as the surrogate country.⁴² The petitioner based its suggestion on an analysis of trade statistics from Global Trade Atlas ("GTA"), published by Global Trade Information Services, Inc., for HTS 8202.39.⁴³ Certain interested parties which made surrogate country recommendations also submitted SV data which they urged the Department to use for the preliminary results.⁴⁴

³⁵ See Import Administration Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) ("Policy Bulletin") available on the Department's website at <http://ia.ita.doc.gov/policy/index.html>.

³⁶ See the Memorandum from Carole Showers to Susan Kurbach, dated January 6, 2012, and entitled "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People's Republic of China" ("Policy Memorandum").

³⁷ See the letter to all interested parties dated January 19, 2012.

³⁸ India is not a country listed in the memorandum outlining a non-exhaustive list of seven countries determined to be at a level of economic development comparable to the PRC in terms of per-capita gross national income. See Policy Memorandum.

³⁹ See letter to the Secretary of Commerce from Gang Yan Diamond Products, *et. al.* (ATM) dated April 25, 2012, entitled "Diamond Sawblades from the People's Republic of China: Comments Regarding the Selection of the Surrogate Country" at 2, and Exhibit 1 (ATM Comments 1). See also letter to the Secretary of Commerce from Weihai and Ewha Diamond Industrial Co., Ltd. (collectively, Ehwa-Weihai) dated April 25, 2012, entitled "Surrogate Country Comments for Weihai-Ewha: Second Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People's Republic of China" (emphasis removed) at 2-7 (Ehwa-Weihai Comments 1).

⁴⁰ See Ehwa-Weihai Comments 1 at 2-7 (India is a larger producer than the economically comparable countries, it provides the best data and financial statements of the candidates, and that given the complexity of the production process for DSBs comparative GNI is outweighed by other factors as the indicator of comparability).

⁴¹ See *Id.*, at 8.

⁴² See letter to the Secretary of Commerce from DSMC dated May 9, 2012, entitled "Diamond Sawblades from the People's Republic of China: Comments on Surrogate Country Selection" at 2 (DSMC Surrogate Country Comments).

⁴³ See DSMC Surrogate Country Comments at Exhibit 1.

⁴⁴ For a summary of interested parties recommendations see Memorandum from Michael A. Romani to Susan H.

After extending the deadline for the preliminary results, we solicited additional surrogate country comments on August 2, 2012.⁴⁵ Weihai recommended that we select South Africa as the primary surrogate country because it has significant exports, a large domestic industry including a few large producers and a vast diamond industry.⁴⁶ Weihai also suggested that the Philippines is a reliable secondary surrogate country based on the production of comparable merchandise (cemented carbide tipped circular saws).⁴⁷ The ATM Single Entity reiterated its recommendation that we use India or rely on the best SVs from a combination of South Africa, Ukraine, and the Philippines.⁴⁸ A non-selected respondent, Saint-Gobain, argued that, of the economically comparable countries only Thailand and Ukraine are producers of comparable diamond sawblades, only Thailand is a “significant producer” of comparable diamond sawblades, and, due to the “large number of producers operating in Thailand, surrogate value data is widely available and reliable.”⁴⁹ Saint-Gobain also cited the U.S. International Trade Commission’s (“ITC”) public report in the final injury determination in the original investigation⁵⁰ in support of its suggestion of Thailand as surrogate country. The ITC stated that “U.S. producers and importers identified diamond sawblade cores imported from France, Germany, India, Italy, Taiwan, and Thailand, and diamond sawblade segments imported from India, Taiwan, and Thailand.”

Economic Comparability

As stated above, the Department has determined that Colombia, Indonesia, Peru, the Philippines, South Africa, Thailand, and Ukraine are each at a level of economic development comparable to that of the PRC in terms of per capita GNI during the POR.⁵¹ Accordingly, “unless we find that all of the countries determined to be equally economically comparable are not significant producers of comparable merchandise, do not provide a reliable source of publicly available surrogate data or are unsuitable for use for other reasons, we will rely on data from one of these countries.”⁵²

Kuhbach, dated December 3, 2012, entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Surrogate Values for the Preliminary Results of Review” at ‘suggested HTS’ Tab of Exhibit 1 ‘DSBs PRC AR1011 - Prelim - SV Exhibit 1 - Surrogate Value.xls’.

⁴⁵ See the letter to all interested parties dated August 2, 2012.

⁴⁶ See letter to the Secretary of Commerce from Weihai dated August 15, 2012, entitled “2nd Surrogate Country Comments for Weihai-Ewha: Second Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People’s Republic of China” at 2-3, and Exhibits 1-3.

⁴⁷ *Id.*, citing letter to the Secretary of Commerce from Weihai dated May 23, 2012, entitled “First Surrogate Value Submission for Weihai-Ewha: Second Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People’s Republic of China” at 2-3, and Exhibits 1-3. (Weihai SV Comments).

⁴⁸ See letter to the Secretary of Commerce from Gang Yan dated August 15, 2012, and entitled “Diamond Sawblades from the People’s Republic of China: Comments Regarding the Selection of the Surrogate Country” at 4-5. See also letter to the Secretary of Commerce from Gang Yan dated August 29, 2012, and entitled “Diamond Sawblades from the People’s Republic of China: Surrogate Value Comments August 29, 2012” at 45.

⁴⁹ See letter to the Secretary of Commerce from Saint-Gobain Abrasives - North America and Saint-Gobain Abrasives (Shanghai) Co. Ltd. dated August 15, 2012, entitled “Diamond Sawblades and Parts Thereof from China; Comments on Surrogate Country Selection” at 2.

⁵⁰ See U.S. International Trade Commission Publication 3862 “Diamond Sawblades and Parts Thereof From China and Korea, Investigation Nos. 731-TA-1092-1093 (Final)”, dated July 2006.

⁵¹ See Policy Memorandum.

⁵² See *Certain Steel Threaded Rod From the People’s Republic of China: Preliminary Results of the*

ATM Single Entity argues that “{d}ue to India’s large population, the {p}er {c}apita GNI is disproportionately skewed downward making it less reliable as an indicator in this case. In fact, according to the ATM Single Entity, India’s GDP per capita growth rate, GNI growth rate, and its GNI per capita growth rate are all more similar to the PRC than the other presumptive countries except for Peru.”⁵³ ATM Single Entity also argues that “India’s export value, manufacturing and industrial value are more comparable to the PRC than any of the Department’s other presumptive countries.”⁵⁴ Weihai agrees that the comparability of India should be based on factors other than per capita GNI, stating that 19 CFR 351.408(b) stresses that “primary emphasis” should be placed on our preferred statistic. Finally, ATM Single Entity argues that it has relied on “India surrogate value to set prices” because India was previously the surrogate country in this case and that the Department’s methods of calculating normal value should have a “modicum of predictability.”⁵⁵

Although the ATM Single Entity and Weihai have argued that we should use factors other than per capita GNI to determine economic comparability, it is the Department’s long standing practice to use per capita GNI because per capita GNI is reported across almost all countries by an authoritative source (the World Bank) and because the Department finds that the per capita GNI represents the single best measure of a country’s level of total income and, thus, level of economic development.⁵⁶ With regard to the ATM Single Entity’s claims about the predictability of the Department’s surrogate country selection, reliance on per capita GNI provides a predictable selection process, but it does not mean that the Department will rely on a single country for the life of the order. Rather, consistent with the statute, the Department selects the most comparable economy in each segment in order to establish normal value relevant to the period at hand.

Consequently, the Department did not identify India as being economically comparable to the PRC, nor has it included India in a surrogate country list since May 2011.⁵⁷ Further, “unless we find that all of the countries determined to be equally economically comparable are not significant producers of comparable merchandise, do not provide a reliable source of publicly available surrogate data or are unsuitable for use for other reasons, we will rely on data from one of these countries.”⁵⁸ Consequently, as there are economically comparable countries that are

Administrative Review, Intent To Rescind, and Rescission, in Part, 77 FR 27022 (May 8, 2012). See also *Certain Steel Wheels From the People’s Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703, 67708 (November 2, 2011), unchanged in *Certain Steel Wheels From the People’s Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances*, 77 FR 17021 (March 23, 2012).

⁵³ ATM Comments 1 at 3.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ See, e.g., *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of the New Shipper Review*, 77 FR 27435 (May 10, 2012) and accompanying I&D Memo at Comment 1.

⁵⁷ See *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, and Affirmative Final Determination of Critical Circumstances, in Part*, 77 FR 63791 (October 17, 2012) and accompanying I&D Memo at Comment 4.

⁵⁸ *Id.* citing *Certain Steel Wheels From the People’s Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67702, 67708 (November 2, 2011), unchanged in *Certain Steel Wheels*

also significant producers of comparable merchandise and that have publicly available SV information, as discussed below, we do not need to consider any other country to be an appropriate surrogate country at this time.

With respect to Weihai's argument that the Department should place greater emphasis on the significant production criterion, we acknowledge that our practice allows this but only in circumstances in which the subject merchandise is "unusual or unique"⁵⁹ or where major inputs are not traded internationally.

Diamond sawblades are neither made in few markets, nor do they require unusual inputs that are not widely traded internationally. Information on the record indicates that diamond sawblades are produced in, at least, Indonesia, the Philippines, the PRC, South Korea, Thailand, Ukraine, and the United States. The inputs requiring SVs are predominately powdered metals, steel, and basic chemicals for which import data is available and reliable.

Producers of Identical or Comparable Merchandise

Section 773(c)(4)(B) of the Act requires the Department to value FOPs in a surrogate country that is a significant producer of comparable merchandise. Neither the statute nor the Department's regulations provide further guidance on what may be considered comparable merchandise. Given the absence of any definition in the statute or regulations, the Department looks to other sources such as the Policy Bulletin for guidance on defining comparable merchandise. The Policy Bulletin states that "in all cases, if identical merchandise is produced, the country qualifies as a producer of comparable merchandise." If identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.⁶⁰ Further, when selecting a surrogate country, the statute requires the Department to consider the comparability of the merchandise, not the comparability of the industry.⁶¹

In this review, we preliminarily determine that merchandise described under HTS 8202.39

From the People's Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances, 77 FR 17021 (March 23, 2012).

⁵⁹Occasionally, there are also cases in which it is more appropriate for the team to address economic comparability only *after* the significant producer of comparable merchandise requirement is met. Cases where particular emphasis on "significant producer of comparable merchandise" is warranted are generally those that involve subject merchandise that is unusual or unique (with correspondingly unusual or unique inputs or other unique aspects of the cost of production), *e.g.*, crawfish, which is produced by only a few countries. *See Freshwater Crawfish Tail Meat from the People's Republic of China: Notice of Preliminary Results of Antidumping Duty Administrative Review*, 67 FR 63877 (October 16, 2002). Particular emphasis on "significant producer of comparable merchandise" is also generally warranted where major inputs are not widely traded internationally, *e.g.*, electricity, which is used intensively in the production of magnesium. *See Notice of Preliminary Results of Antidumping Duty Administrative Review: Pure Magnesium from the Russian Federation*, 59 FR 55427 (November 7, 1994)." *See* Policy Bulletin at 4.5.

⁶⁰The Policy Bulletin also states that "if considering a producer of identical merchandise leads to data difficulties, the operations team may consider countries that produce a broader category of reasonably comparable merchandise," at note 6.

⁶¹*See Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674 (December 15, 1997) and accompanying I&D Memo at Comment 1 (to impose a requirement that merchandise must be produced by the same process and share the same end uses to be considered comparable would be contrary to the intent of the statute).

("Circular Saw Blades Of Base Metal With Working Part Of Material Other Than Steel, And Parts") is identical or comparable to the merchandise covered by this review. Because world production data was not available, we analyzed exports under HTS 8202.39 from the seven countries identified as economically comparable to the PRC. This analysis shows that Indonesia, South Africa, Thailand, and Ukraine exported significant quantities of diamond sawblades during the POR under HTS 8202.39.⁶² In addition, the data indicates that, of the economically comparable countries, only Thailand is a significant net exporter.⁶³

Having identified multiple economically comparable countries that are also significant producers of comparable merchandise we next considered the availability of SV data.

Data Considerations

When evaluating SV data, the Department considers several factors including whether the SV is publicly available, contemporaneous with the POR, representative of a broad-market average, from an approved surrogate country, tax- and duty-exclusive, and specific to the input. There is no hierarchy among these criteria. It is the Department's practice to carefully consider the available evidence in light of the particular facts of each industry when undertaking its analysis.⁶⁴

In addition to the SV data placed on the record by interested parties, we searched for SVs from economically comparable countries that are also significant producers of comparable merchandise.

For Thailand, we are able to assemble the required SVs for direct inputs from GTA import data. Labor data for Thailand is available from the International Labor Organization ("ILO") and is industry specific. Publicly available government data from Thailand provides for a calculation of inland truck freight and domestic brokerage and handling. Although the petitioner and Weihai submitted SVs from South Africa, the ILO does not provide labor information for that country. We were also unable to find information sufficient to calculate inland truck freight for South Africa. Substantially less data was available for Ukraine and Indonesia.

Therefore, for these preliminary results the Department has selected Thailand as the primary surrogate country for valuing FOPs.

There is no useable financial statement on the record for Thailand or for the other economically comparable countries that are also significant producers. There is, however, a financial statement from a Philippine producer of comparable merchandise (*i.e.*, a producer of cemented carbide tipped circular saws classified under HTS 8202.39) on the record that is detailed enough to calculate the financial ratios required to calculate normal value. The financial statement is also contemporaneous with the POR (fiscal year ending August 31, 2011).⁶⁵ At this time we are

⁶² See the GTA quantity export data at Attachment 1.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ See Weihai SV Comments at Exhibit 13 and letter from Weihai to the Secretary of Commerce, dated August 29, 2012, entitled "Second Pre-Prelim Surrogate Value Submission for Weihai-Ewha: Second Administrative Review

relying on this publicly available financial statement submitted by Weihai as the best available information for the calculation of surrogate financial ratios.

AFFILIATION

In the less-than-fair-value investigation, we determined that Advanced Technology & Materials Co., Ltd. (“ATM”), BGY, and Yichang HXF Circular Saw Industrial Co., Ltd., were a single entity and calculated a single antidumping duty margin for this single entity (“ATM Group”).⁶⁶ We also determined that BGY and Gang Yan Diamond Products, Inc. (“GYDP”) were affiliated and that GYDP, SANC Materials, Inc., and Cliff were affiliated with each other. *Id.* In the 2009-2010 administrative review, the ATM Group was preliminarily expanded to include Cliff (Tianjin) International Ltd. (“Cliff”),⁶⁷ and AT&M International Trading Co., Ltd. (“ATMI”) (collectively, “ATM Single Entity”).⁶⁸

For these preliminary results of review, we find that ATM, BGY, and HXF continue to be a single entity as the facts are similar to those at the time of the investigation. Further, record evidence indicates that BGY controlled Cliff’s export operations through BGY’s decisions on prices of subject merchandise produced by BGY, exported by Cliff, and imported by GYDP. Therefore, BGY and Cliff are affiliates pursuant to section 771(33)(G) of the Act and 19 CFR 351.102(b)(3). We also preliminarily find that ATM and ATMI were affiliates pursuant to section 771(33)(F) of the Act and 19 CFR 351.102(b)(3). For more details on these companies’ affiliation status, which includes these companies’ business proprietary information, *see* the memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Affiliation and the ATM Single Entity” dated December 3, 2012.

Because ATM, BGY, HXF, Cliff, and ATMI are affiliated respondents in this review, we treated these five companies as a single entity for purposes of calculating a single margin for these preliminary results.

FAIR VALUE COMPARISONS

of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People’s Republic of China” at Exhibit 1A. Weihai stated that it procured the financial statements from an acceptable public source, the fee based Philippine Securities and Exchange Commission website. *See* letter from Weihai to the Secretary of Commerce, dated October 17, 2012, and entitled “Weihai Xiangguang Mechanical Industrial Co., Ltd. Fifth Supplemental Questionnaire Response: *Diamond Sawblades and Parts Thereof from the People’s Republic of China* (Review Period 11/1/10-10/31/2011) at 8, citing *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People’s Republic of China*, 71 FR 53079, 53086 (September 8, 2006) (a fee based government website is considered to be a public source).

⁶⁶ *See Final LTFV Determination*, 71 FR at 29304, 29306-07.

⁶⁷ Cliff also used the company name Cliff International Ltd., according to various documents provided in the ATM Single Entity’s March, 19, 2012, section A response.

⁶⁸ *See Diamond Sawblades and Parts Thereof From the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Intent to Rescind Review in Part*, 76 FR 76135 (December 6, 2011). The final results of the 2009-2010 administrative review have been deferred. *See* Memorandum from Gary Taverman to Paul Piquado, dated June 4, 2012, entitled “Diamond Sawblades and Parts Thereof from the Republic of Korea and the People’s Republic of China: Deferral of the Final Results of the First Antidumping Duty Administrative Reviews.”

To determine whether sales of diamond sawblades from the PRC to the United States by ATM Single Entity and Weihai were made at less than normal value, the Department compared the export price (“EP”) or constructed export price (“CEP”) to normal value, as described in the “U.S. Price” and “Normal Value” sections below. In these preliminary results, the Department applied the average-to-average comparison methodology adopted in the *Final Modification for Reviews*.⁶⁹ In particular, the Department compared monthly, weighted-average EPs and CEPs with monthly, weighted-average NVs, and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

U.S. Price

For the price to the United States, we used EP or CEP as defined in sections 772(a) and (b) of the Act, as appropriate.

Export Price Sales

For the ATM Single Entity and Weihai, in accordance with section 772(a) of the Act, the Department calculated EP for a portion of sales to the United States because the first sale to an unaffiliated party was made before the date of importation and the use of CEP was not otherwise warranted. The Department calculated EP based on the sales price to unaffiliated purchasers in the United States. In accordance with section 772(c)(2)(A) of the Act, as appropriate, the Department deducted from the sales price expenses for certain foreign inland freight, brokerage and handling (“B&H”), and international movement costs. For the inland freight and B&H services provided by an NME vendor or paid for using an NME currency, the Department based the deduction of these charges on SVs. See the Memorandum entitled “Diamond Sawblades and Parts Thereof from the People’s Republic of China: Surrogate Value for the Preliminary Results of Review” dated December 3, 2012 (“Surrogate Value Memo”), for details regarding the SVs for movement expenses. For international freight provided by an ME provider and paid in U.S. dollars, the Department used the actual cost per kilogram of the freight.

Constructed Export Price Sales

For some of the U.S. sales the ATM Single Entity and Weihai reported, the Department based U.S. price on CEP in accordance with section 772(b) of the Act because sales were made on behalf of the PRC-based exporter by a U.S. affiliate to unaffiliated customers in the United States. For these sales, the Department based CEP on prices to the first unaffiliated purchaser in the United States. Where appropriate, the Department made deductions from the starting price (gross unit price) for foreign movement expenses, international movement expenses, U.S. movement expenses in accordance with section 772(c)(2)(A) of the Act. Where foreign movement expenses, international movement expenses, or U.S. movement expenses were provided by PRC service providers or paid for in renminbi, the Department valued these services using SVs.⁷⁰ For those expenses that were provided by an ME provider and paid for in an ME

⁶⁹ See *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings: Final Modification*, 77 FR 8101 (February 14, 2012) (“*Final Modification for Reviews*”).

⁷⁰ See the “Surrogate Values” section, *infra*, for further discussion.

currency, the Department used the reported expense.

In accordance with section 772(d)(1) of the Act, the Department also deducted those selling expenses associated with economic activities occurring in the United States. The Department deducted, where appropriate, commissions, inventory carrying costs, credit expenses, warranty expenses, and indirect selling expenses. Finally, we deducted CEP profit from U.S. price in accordance with sections 772(d)(3) and 772(f) of the Act.

Due to the proprietary nature of certain adjustments to U.S. price, *see* the company-specific analysis memoranda dated December 3, 2012, for a detailed description of all adjustments made to U.S. price for each company.

Further Manufactured Sales

On March 20, 2012, Weihai requested that the Department exempt the company from responding to section E of the antidumping questionnaire. On April 9, 2012, we directed the company to provide the information regarding further manufacturing in section A of our questionnaire and to report its sales of further manufactured products to unaffiliated customers. *See* the April 9, 2012, letter from the Department to Weihai. Weihai submitted the requested information on April 16, 2012, and April 18, 2012, respectively. After reviewing Weihai's responses, we granted Weihai's request not to respond to section E because the total value of Weihai's U.S. sales of further manufactured products was insignificant and did not justify the extensive use of our resources to analyze those sales for the preliminary results of this review.⁷¹ For business proprietary details on our decision, *see* the Weihai preliminary analysis memorandum dated December 3, 2012.

Revenue Caps

Weihai received freight revenues from its customers for certain U.S. sales. In *Certain Orange Juice from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 73 FR 46584 (August 11, 2008), and accompanying I&D Memo at Comment 7 and in *Polyethylene Retail Carrier Bags from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 74 FR 6857 (February 11, 2009), and accompanying I&D Memo at Comment 6, the Department determined to treat such revenues as an offset to the specific expenses for which they were intended to compensate. Accordingly, we have used Weihai's freight revenues as offsets to corresponding freight expenses.

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine the NV using a FOPs methodology if the merchandise is exported from an NME and the information does not permit the calculation of NV using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. The Department bases NV on the FOPs because the presence of

⁷¹ *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Static Random Access Memory Semiconductors From the Republic of Korea*, 62 FR 51437, 51438 (October 1, 1997), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From the Republic of Korea*, 63 FR 8934 (February 23, 1998).

government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies.

Factor Valuations

In accordance with section 773(c) of the Act, for subject merchandise produced by the mandatory respondents, the Department calculated normal value based on the FOPs reported by the mandatory respondents for the POR. The Department used Thai import data and other publicly available Thai sources in order to calculate SVs for the mandatory respondents' FOPs. To calculate normal value, the Department multiplied the reported per-unit FOP quantities by publicly available SVs. The Department's practice when selecting the best available information for valuing FOPs is to select, to the extent practicable, SVs which are product-specific, representative of a broad market average, publicly available, contemporaneous with the POR, and exclusive of taxes and duties.⁷²

As appropriate, the Department adjusted input prices by including freight costs to render them delivered prices. Specifically, the Department added to Thai import SVs, reported on a Cost, Insurance and Freight basis, a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory where it relied on an import value. This adjustment is in accordance with the decision of the Federal Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, the Department adjusted SVs for inflation and exchange rates, taxes, and the Department converted all applicable FOPs to a per-kilogram basis.

Furthermore, with regard to the Thai import-based SVs, we have disregarded import prices that we have reason to believe or suspect may be subsidized. We have reason to believe or suspect that prices of inputs from Indonesia, India, and South Korea may have been subsidized because we have found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies.⁷³ Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.⁷⁴ Further, guided by the legislative history, it is the Department's practice not to conduct a formal investigation to ensure that such prices are not subsidized.⁷⁵ Rather, the Department bases its decision on information that is available to it at

⁷² See, e.g., *Electrolytic Manganese Dioxide From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 48195 (August 18, 2008), and accompanying I&D Memo at Comment 2.

⁷³ See, e.g., *Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-year (Sunset) Review of the Countervailing Duty Order*, 75 FR 13257 (March 19, 2010), and accompanying I&D Memo at 4-5; *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Results of Expedited Sunset Review*, 70 FR 45692 (August 8, 2005), and accompanying I&D Memo at 4; *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 74 FR 2512 (January 15, 2009), and accompanying I&D Memo at 17, 19-20.

⁷⁴ See *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China*, 69 FR 20594 (April 16, 2004), and accompanying I&D Memo at Comment 7.

⁷⁵ See Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988); see also *Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Coated Free Sheet Paper from the People's Republic of China*, 72 FR 30758, 30763 (June 4, 2007), unchanged in *Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China*, 72 FR 60632 (October 25, 2007).

the time it makes its determination. Additionally, consistent with our practice, we disregarded prices from NME countries and excluded imports labeled as originating from an “unspecified” country from the average value, because the Department could not be certain that they were not from either an NME country or a country with general export subsidies.⁷⁶ Therefore, we have not used prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

Pursuant to 19 CFR 351.408(c)(1), when a respondent sources inputs from an ME supplier in meaningful quantities (*i.e.*, not insignificant quantities) and pays in an ME currency, the Department uses the actual price paid by the respondent to value those inputs, except when prices may have been distorted by findings of dumping and/or subsidization.⁷⁷ Where the Department finds ME purchases to be of significant quantities (*i.e.*, 33 percent or more), in accordance with our statement of policy as outlined in *Antidumping Methodologies: Market Economy Inputs*,⁷⁸ the Department uses the actual purchase prices to value the inputs. Information reported by the mandatory respondents demonstrates that certain inputs were sourced from an ME country and paid for in ME currencies.⁷⁹ The information reported by the mandatory respondents also demonstrates that such inputs were purchased in significant quantities (*i.e.*, 33 percent or more) from ME suppliers; hence, the Department has used the mandatory respondents’ actual ME purchase prices to value these inputs.⁸⁰

The Department used Thai Import Statistics from the GTA to value the raw material, certain energy inputs and packing material inputs that the mandatory respondents used to produce subject merchandise during the POR, except where listed below.

To value electricity, we used the pricing information published by the Electricity Generating Authority of Thailand, an administrative body of the Government of Thailand, in its publication entitled “Electricity Generating Authority of Thailand, Annual Report 2011, Key Statistical Data,” dated March 2011. These electricity rates represent contemporaneous actual country-wide, publicly available information on tax-exclusive electricity rates charged to small, medium, and large industries in Thailand.

To value the freight-in cost of raw materials, we relied on: 1) August 2005 inland truck freight price data from the Thailand Board of Investment’s 2006 publication, *Costs of Doing Business in Thailand*,⁸¹ and (2) distances from Google Maps, at <http://maps.google.com>.⁸² We calculated the August 2005 per-kilometer price to transport one kg from Bangkok to five cities in Thailand and

⁷⁶ See *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Chlorinated Isocyanurates From the People’s Republic of China*, 69 FR 75294, 75300 (December 16, 2004), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People’s Republic of China*, 70 FR 24502 (May 10, 2005).

⁷⁷ See *Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments*, 71 FR 61716, 61717-18 (October 19, 2006) (“*Antidumping Methodologies: Market Economy Inputs*”).

⁷⁸ *Id.*

⁷⁹ Because the discussion of ME inputs contains business proprietary information, *see* the analysis memoranda for the mandatory respondents.

⁸⁰ *Id.*

⁸¹ See Surrogate Value Memo at Attachment 3.

⁸² See Surrogate Value Memo at Attachment 4.

averaged these five rates.⁸³ We then adjusted the August 2005 average inland freight rate to the average price level prevailing during the POR.

To value brokerage and handling, we used the information in the World Bank Group's *Doing Business 2012 – Trading Across Borders in Thailand*.⁸⁴ This source provides a price list based on a survey case study of the procedural requirements necessary to export a standardized cargo of goods by ocean transit from Thailand. We calculated the cost per kg by dividing the World Bank's average brokerage and handling expense by the maximum payload weight of a 20' container according to www.freightgate.com.⁸⁵ Because data reported in this source were current as of June 1, 2011, and, thus contemporaneous with the POR, we did not inflate the SV for domestic brokerage and handling expenses.

To value the ocean-freight expense for the subject merchandise from the port of export to the U.S. port of disembarkation, we used publicly available data collected from <http://rates.descartes.com>. We obtained historical freight rates (from multiple ME freight providers) in effect during the 15th day of each second month for each quarter of the POR for shipments of saws and blades for each combination of port of origin/discharge reported by the respondent in this review. We averaged the rates to obtain a single POR-average freight rate.

We valued international air freight using rates obtained from DHL Hong Kong and the monthly consumer price index statistics from the International Monetary Fund's *International Financial Statistics* for "China, P.R.: Hong Kong."⁸⁶ We valued marine insurance using a price quote retrieved from RJG Consultants, online at www.rjgconsultants.com, an ME provider of marine insurance. We did not inflate this rate because it is contemporaneous with the POR.⁸⁷

To value labor cost we calculated an hourly labor rate using industry-specific data for the primary surrogate country, Thailand. The data was provided by the ILO and is specific to the manufacture of saws and sawblades. We used the Thailand Consumer Price Index to inflate the value of labor to the POR because ILO data was only available for 2005.

To value factory overhead, selling, general and administrative expenses, and profit, we used the 2011 financial statements from Trigger Co., Philippines, Inc., a manufacturer of cemented carbide tipped circular saws in the Philippines.⁸⁸

CURRENCY CONVERSION

⁸³ See Surrogate Value Memo at Exhibit 1, 'Surrogate Value' and 'Truck Freight' Tabs.

⁸⁴ See Surrogate Value Memo at Attachment 5.

⁸⁵ See www.freightgate.com/resources/container.tet Technical Specifications for a dry container 5.92m*2.34m*2.38m.

⁸⁶ See Surrogate Value Memo at Exhibit 1, 'PPI and CPI' Tab.

⁸⁷ *Id.*

⁸⁸ See letter to the Secretary of Commerce from Weihai, dated August 29, 2012, entitled "Second Pre-Prelim Surrogate Value Submission for Weihai-Ewha: Second Administrative Review of the Antidumping Duty Order on Diamond Sawblades and Parts Thereof from the People's Republic of China" at Exhibit 1. See also Surrogate Value Memo at Attachment 2.

Attachment 1

Diamond Sawblades and Parts Thereof from the People's Republic of China

A-570-900

Public Document

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10/10/2012 5:24

Reporting Countries Export Statistics (Partner Country: World)					
Commodity: 820239, Circular Saw Blades Of Base Metal With Working Part Of Material Other Than Steel, And Parts					
Year Ending: October					
Reporting Country	Unit	Quantity			% Change 2011/2010
		2009	2010	2011	
China	KG	19,630,663	31,013,277	37,591,784	21.21
Colombia	NO	61,880	0	21	
India	KG	53,003	221,678	58,194	-73.75
Indonesia	KG	21,080	39,283	26,103	-33.55
Peru	NO	33,360	2,984	39	-98.69
Philippines	KG	15,255	2,508	0	-100
South Africa	KG	53,400	9,446	40,093	324.44
Thailand	KG	365,456	390,457	507,225	29.91
Ukraine	KG	3,255	2,804	3,145	12.16
10/11/2012 2:35					
Reporting Countries Trade Balance Statistics (Partner Country: World)					
Commodity: 820239, Circular Saw Blades Of Base Metal With Working Part Of Material Other Than Steel, And Parts					
Year Ending: October					
Reporting Country	Unit	Quantity			% Change 2011/2010
		2009	2010	2011	
Reporting Total	n/a				
China	KG	18,939,080	30,069,711	36,702,309	22.06
Colombia	NO	-681,960	-369,179	-236,148	-36.03
Hong Kong	NO	-697,974	-331,998	-992,281	198.88
India	KG	-1,198,602	-867,727	-1,486,936	71.36
Indonesia	KG	-456,411	-582,454	-1,048,531	80.02
Peru	NO	-694,416	-1,210,210	-1,537,839	27.07
Philippines	KG	-5,915	-67,127	-55,048	-17.99
South Africa	KG	-210,860	-387,638	-364,590	-5.95
Thailand	KG	264,217	218,681	240,644	10.04
Ukraine	KG	-77,040	-109,042	-130,926	20.07