



A-570-992
Investigation
Public Document
E&C Office VII: JJZ/MK

May 1, 2014

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh *um*
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination of the Antidumping Duty Investigation of Monosodium Glutamate from the People's Republic of China

SUMMARY

The Department of Commerce ("Department") preliminarily determines that monosodium glutamate ("MSG") from the People's Republic of China ("PRC") is being, or is likely to be, sold in the United States at less than fair value ("LTFV"), as provided in section 733 of the Tariff Act of 1930, as amended ("the Act"). The estimated margins of sales at LTFV are shown in the "Preliminary Determination" section of the accompanying Federal Register notice.

BACKGROUND

On September 16, 2013, the Department received an antidumping duty ("AD") petition concerning imports of MSG from the PRC filed in proper form by Ajinomoto North America Inc. ("Petitioner").¹ The Department initiated an AD investigation of MSG from the PRC on October 23, 2013.²

In the Initiation Notice, the Department stated that, it intended to select respondent in accordance with our standard practice.³ We issued quantity and value questionnaires to each potential respondent. The Department also stated in the Initiation Notice that in order to obtain separate-rate status in this investigation, exporters and producers must submit a separate-rate status application no later than 60 days after publication of the Initiation Notice. The following

¹ See Petition for Antidumping and Countervailing Duties: Monosodium Glutamate from the People's Republic of China and Republic of Indonesia, filed on September 16, 2013 (petition).

² See Monosodium Glutamate From the People's Republic of China and the Republic of Indonesia: Initiation of Antidumping Duty Investigations, 78 FR 65278 (October 31, 2013) (Initiation Notice).

³ Id., 78 FR at 65282.



companies timely responded to the Department's separate rates questionnaire: Shandong Linghua Monosodium Glutamate Incorporated Company (Shandong Linghua); Fujian Province Jianyang Wuyi MSG Co, Ltd. (Jianyang Wuyi); Langfang Meihua Bio-Technology Co., Ltd. (Langfang Meihua), Tongliao Meihua Biological SCI-TECH Co., Ltd., Meihua Group International Trading (Hong Kong) Limited, Meihua Holdings Group Co., Ltd, and Meihua Holdings Group Co., Ltd, Bazhou Branch (collectively, "the Meihua Group"); Neimenggu Fufeng Biotechnologies Co., Ltd. (Neimenggu Fufeng); and Baoji Fufeng Biotechnologies Co., Ltd. (Baoji Fufeng).

Also in the Initiation Notice, the Department notified parties of the opportunity to comment on the scope of the investigation and on the appropriate product characteristics of MSG to be reported in response to the Department's AD questionnaire.⁴ On November 12 2013, Petitioner submitted comments regarding the physical characteristics of the merchandise under consideration to be used for reporting purposes.⁵ On December 4, 2013, Petitioner submitted comments to the Department regarding respondent selection.⁶

On November 19, 2013, the U.S. International Trade Commission preliminary determined that there is a reasonable indication that an industry in the United States was materially injured by reason of imports of MSG from the PRC.⁷

On January 10, 2014, the Department made its respondent selection for the instant investigation,⁸ and issued the initial AD questionnaire to the Langfang Meihua and Shandong Linghua, the two exporters/producers selected as mandatory respondents.⁹ On January 28, Shandong Linghua filed a notice that it was withdrawing its participation in the instant investigation, as it could not respond to the Department's questionnaire.¹⁰ In February and March 2014, the Meihua Group submitted timely responses to the Department's AD questionnaire.¹¹ Petitioner submitted

⁴ Id., 78 FR at 65278-65279.

⁵ See letter from Petitioner "Monosodium Glutamate from China and Indonesia: Comments on Product Characteristics," dated November 12, 2013.

⁶ See letter from Petitioner "Monosodium Glutamate from China: Comments on Respondent Selection," dated December 4, 2013.

⁷ See Monosodium Glutamate From China and Indonesia, 78 FR 76321 (December 17, 2013).

⁸ See Memorandum to Christian Marsh, Deputy Assistant Secretary for Enforcement and Compliance, "Antidumping Duty Investigation of Monosodium Glutamate from the People's Republic of China: Respondent Selection" (January 10, 2014).

⁹ See letters to Langfang Meihua and Shandong Linghua concerning the Department's initial AD questionnaire, dated January 13, 2014.

¹⁰ See letter from Shandong Linghua "Monosodium Glutamate from People's Republic of China: Notice of Withdrawal from Investigation," dated January 28, 2014.

¹¹ See Meihua Group's responses on Sections A, C, and D of the initial questionnaire between February and March, 2014.

comments regarding those responses in March 2014.¹² The Department issued supplemental questionnaires to the Meihua Group in March 2014, and the Meihua Group timely responded to those supplemental questionnaires in April 2014.¹³ Petitioner submitted comments regarding the responses in April 2014.¹⁴

On February 5, 2014, the Department published a postponement fully extending the due date of the preliminary determination to May 1, 2014.¹⁵

On April 11, 2014, Petitioner timely filed an allegation, pursuant to section 773(e)(1) of the Act and 19 CFR 351.206, alleging that critical circumstances exist with respect to imports of the merchandise under consideration.¹⁶

On April 14, 2014, Petitioner submitted comments for consideration in the preliminary determination.¹⁷ On April 17, 2014, the Meihua Group submitted comments on Petitioner's April 14, 2014 submission.¹⁸ To the extent we were able to consider these comments, we have done so for this preliminary determination.

PERIOD OF INVESTIGATION

The period of investigation ("POI") is January 1, 2013, through June 30, 2013. This period corresponds to the two most recent fiscal quarters prior to the month in which the petition was filed, which was on September 16, 2013.¹⁹

¹² See letters from Petitioner: "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Comments on the Meihua Group's Section A and C Questionnaire Responses," dated March 12, 2014; "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Comments on the Meihua Group's Section D Questionnaire Responses," dated March 20, 2014; "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Supplemental (2nd Round) Comments on the Meihua Group's Section D Questionnaire Responses," dated March 20, 2014; and, "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Second Supplemental (3rd Round) Comments on Meihua Group's Section D Questionnaire Responses," dated March 24, 2014.

¹³ See letters from the Meihua Group, "Monosodium Glutamate from the People's Republic of China: Supplemental Section A&C Questionnaire Response," dated April 7, 2014; "Monosodium Glutamate from the People's Republic of China: Supplemental Section D Questionnaire Response Part 1," dated April 9, 2014; and, "Monosodium Glutamate from the People's Republic of China: Supplemental Section D Questionnaire Response Part 2," dated April 14, 2014.

¹⁴ See letter from Petitioner, "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Deficiency Comments on Meihua Group's Supplemental Section D Questionnaire Response Part 1," dated April 14, 2014.

¹⁵ See Monosodium Glutamate From the People's Republic of China and the Republic of Indonesia: Postponement of Preliminary Determinations in the Antidumping Duty Investigations, 79 FR 6886 (February 5, 2014).

¹⁶ See letter from Petitioner "Monosodium Glutamate from China: Petitioner's Critical Circumstances Allegations," dated April 11, 2014.

¹⁷ See Letter from Petitioner, "Monosodium Glutamate from China: Petitioner's Pre-Preliminary," dated April 14, 2014.

¹⁸ See letter from the Meihua Group, "Monosodium Glutamate from the People's Republic of China: Comments on Petitioner's Pre-Preliminary Submissions," dated April 17, 2014.

¹⁹ See 19 CFR 351.204(b)(1).

SCOPE OF THE INVESTIGATION

The scope of this investigation covers MSG, whether or not blended or in solution with other products. Specifically, MSG that has been blended or is in solution with other product(s) is included in this scope when the resulting mix contains 15% or more of MSG by dry weight. Products with which MSG may be blended include, but are not limited to, salts, sugars, starches, maltodextrins, and various seasonings. Further, MSG is included in this investigation regardless of physical form (including, but not limited to, substrates, solutions, dry powders of any particle size, or unfinished forms such as MSG slurry), end-use application, or packaging.

MSG has a molecular formula of C₅H₈NO₄Na, a Chemical Abstract Service (“CAS”) registry number of 6106-04-3, and a Unique Ingredient Identifier (“UNII”) number of W81N5U6R6U.

Merchandise covered by the scope of this investigation is currently classified in the Harmonized Tariff Schedule (“HTS”) of the United States at subheading 2922.42.10.00.

Merchandise subject to the investigations may also enter under HTS subheadings 2922.42.50.00, 2103.90.72.00, 2103.90.74.00, 2103.90.78.00, 2103.90.80.00, and 2103.90.90.91. The tariff classifications, CAS registry number, and UNII number are provided for convenience and customs purposes; however, the written description of the scope is dispositive.

POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES

Pursuant to section 735(a)(2)(B) of the Act, on April 23, 2014, Petitioner and the Meihua Group each requested that the Department postpone the final determination, and the Meihua Group requested that provisional measures be extended.²⁰ In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(e), because (1) our preliminary determination is affirmative, (2) the requesting exporter, the Meihua Group, accounts for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the request and are postponing the final determination no later than 135 days after the publication of the preliminary determination notice in the Federal Register, and we are extending provisional measures from four months to a period not to exceed six months. Suspension of liquidation will be extended accordingly.

²⁰ See Letter from Petitioner, “Monosodium Glutamate from China: Request to Postpone Final Determination,” dated April 23, 2014; see also letter from the Meihua Group, “Monosodium Glutamate from the People’s Republic of China: Request for Extension of the Final Determination,” dated April 23, 2014.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

The Department considers the PRC to be a non-market economy (“NME”) country.²¹ In accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. Therefore, we continue to treat the PRC as an NME country for purposes of this preliminary determination.

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 (“FOPs”), valued in a surrogate market economy (“ME”) country or countries considered to be appropriate by the Department. Specifically, 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.²² To determine which countries are at a similar level of economic development, the Department generally relies solely on per capita gross national income (“GNI”) data from the World Bank’s World Development Report.²³ In addition, if more than one country satisfies the two criteria noted above, the Department narrows the field of potential surrogate countries to a single country (pursuant to 19 CFR 351.408(c)(2), the Department will normally value FOPs in a single surrogate country) based on data availability and quality.

On March 20, 2014, the Department identified Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand as being equally comparable to the PRC in terms of economic development.²⁴ On March 20, 2014, the Department provided a memorandum to the interested parties soliciting comments on surrogate country selection and providing a deadline for the consideration of any submitted surrogate value information in the preliminary determination.²⁵ On March 27, 2014, the Department put on the record and requested interested party to comment on certain countries’ Global Trade Atlas (“GTA”) imports and exports data, and certain

²¹ See Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Preliminary Results of the First Administrative Review, Preliminary Rescission, in Part, and Extension of Time Limits for the Final Results, 76 FR 62765, 62767-68 (October 11, 2011), unchanged in Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Final Results and Partial Rescission of First Antidumping Duty Administrative Review, 77 FR 21734 (April 11, 2012).

²² See also Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004).

²³ See *id.*

²⁴ See Memorandum from Carole Showers, Director, Office of Policy, to Gene H. Calvert, Acting Program Manager, Office VII, Enforcement and Compliance, “Request for a List of Surrogate Countries for an Investigation of Monosodium Glutamate (“MSG”) from the People’s Republic of China (“China”),” dated March 20, 2014 (“Surrogate Country Recommendation Memorandum”); see also Policy Bulletin 04.1 (explaining that countries on the surrogate country list should be considered equivalent with respect to their level of economic development).

²⁵ See Memorandum to All Interested Parties from Gene H. Calvert, Acting Program Manager, AD/CVD Operations, Office VII, “Antidumping Investigation of Monosodium Glutamate from the People’s Republic of China: Surrogate Country and Surrogate Value Comments and Information,” dated March 20, 2014.

company's financial statements.²⁶ On April 7, 2014, Petitioner and the Meihua Group each submitted comments on the appropriate surrogate country and surrogate values.²⁷ On April 14, 2014, Petitioner and the Meihua Group each submitted rebuttal comments.²⁸

Petitioner and the Meihua Group both argue that Indonesia should be selected as the surrogate country because (1) it is economically comparable to the PRC, (2) there is significant production capacity and actual production of identical and comparable merchandise in Indonesia, and (3) there is Indonesian information on the record for most of the surrogate values that are needed to calculate a weighted-average dumping margin.²⁹ We explain in greater detail below the information on the record relating to each criterion that is used to select the primary surrogate country.

As noted above, the record contains a Surrogate Country Recommendation Memorandum which identifies six countries that the Department considers to have equally satisfied the economic comparability prong of the surrogate country selection criteria. However, this list is a non-exhaustive list. In the Surrogate Country Recommendation Memorandum, the Department noted that other countries not identified by the Department as being economically comparable to the PRC may be examined for purposes of selecting a primary surrogate country if there is adequate record information to evaluate them.³⁰ Petitioner and the Meihua Group both noted that Indonesia is a significant producer of subject merchandise, has broadly available surrogate value data, and is listed in the Surrogate Country Recommendation Memorandum.³¹

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. As a proxy for domestic production, we examined export data using the GTA for all six countries for Harmonized Tariff Schedule of the United States ("HTSUS") number 2922.42.10.00, MSG, the merchandise under consideration.³² The data from GTA demonstrates that Indonesia and Thailand were exporters of comparable merchandise during the POI. We thus consider these countries to be "significant producers" of comparable merchandise. The GTA data also showed that Bulgaria, Colombia,

²⁶ See Memorandum to All Interested, "Antidumping Investigation of Monosodium Glutamate from the People's Republic of China: Surrogate Country and Surrogate Value Information," dated March 27, 2014 (SC and SV Information Memo).

²⁷ See Letter from Petitioner to the Honorable Penny Pritzker, Secretary of Commerce, "Antidumping Duty Investigation on Monosodium Glutamate from China: Petitioner's Comments on Surrogate Country and Surrogate Values," dated April 7, 2014 ("Petitioner's Surrogate Selection Comments"); see also letter from the Meihua Group to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate from the People's Republic of China: Surrogate Country and Surrogate Value Comments," dated April 7, 2014 ("Meihua Group's Surrogate Selection Comments").

²⁸ See Letter from Petitioner to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate from China: Petitioner's Rebuttal Surrogate Country and Surrogate Value Comments," dated April 14, 2014 ("Petitioner's Rebuttal Surrogate Selection Comments"); see also letter from the Meihua Group to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate from the People's Republic of China: Rebuttal Surrogate Country and Surrogate Value Comments," dated April 14, 2014 ("Meihua Group's Rebuttal Surrogate Selection Comments").

²⁹ See Petitioner's Surrogate Selection Comments and Meihua Group's Surrogate Selection Comments.

³⁰ See Surrogate Country Recommendation Memorandum at page 2.

³¹ See Petitioner's Surrogate Selection Comments at 4-6, and the Meihua Group's Surrogate Selection Comments at 3.

³² See SC and SV Information Memo.

Ecuador, and South Africa had none, or limited quantities of exports of comparable merchandise during the months of the POI for which data were available, and thus were not significant producers of comparable merchandise. After determining which potential surrogate countries are significant producers of comparable merchandise, the Department then selects the primary surrogate country based upon whether data for valuing the FOPs are both available and reliable. If more than one potential surrogate country satisfies the statutory requirements for selection as a surrogate country, the Department selects the primary surrogate country from among the potential surrogate countries based on data availability and reliability. When evaluating SV data, the Department considers several factors, including whether the SVs are publicly available, contemporaneous with the POI, representative of a broad market average, tax and duty-exclusive, and specific to the inputs being valued.

Based on the above analysis, only Indonesia and Thailand are significant producers of comparable merchandise and thus could be selected as the primary surrogate country. As for surrogate financial ratios, the Department has four publicly-available audited financial statements from companies in Indonesia and Thailand submitted on the record by the Petitioner and the Meihua Group, including Ajinomoto Company (Thailand) Ltd. (Ajinomoto Thailand), PT Multi Bintang Indonesia Tbk (Multi Bintang), PT Delta Djakarta Tbk (Delta Djakarta), and PT Budi Acid Jaya Tbk (PT Budi) of Indonesia.³³ Ajinomoto Thailand produces MSG, however, the Department preliminarily determines that its financial statements contain evidence of countervailable subsidies provided by the Thai government.³⁴ Both Multi Bintang and Delta Djakarta are beer producers in Indonesia and the Department preliminarily determines that their beer production process and selling, general and administrative (SG&A) expenses differ from MSG producers such that they are not the best available information to use as surrogate financial statements. In particular, beer production involves a much simpler process than that of MSG, as it does not require the numerous steps of extraction, neutralization, filtration, crystallization, drying, and sieving. With respect to their SG&A expenses, the Department preliminarily determines that they differ from MSG production because beer producers incur advertising and marketing expenses directed at retail consumers whereas MSG, citric acid, starch, and glucose are food additives sold to food processors and other industrial users.³⁵ PT Budi produces comparable merchandise (*i.e.*, starch, glucose, citric acid, all of which are inputs for MSG), uses similar production process, and its financial statements show no indication of countervailable subsidies.³⁶ Thus, the Department preliminarily determines that the PT Budi financial statements are the best available information on the record to use as surrogate financial statements.

After considering the above information, we determine that Indonesia is economically comparable to the PRC, a significant producer of comparable merchandise, and the record contains reliable surrogate value information for Indonesia for most of the FOPs including the best available surrogate financial information. Thus, pursuant to section 773(c)(4) of the Act, we preliminarily selected Indonesia as the primary surrogate country.

³³ See Petitioner's Surrogate Selection Comments and Meihua Group's Surrogate Selection Comments.

³⁴ See Ajinomoto Thailand's audited financial statements at Exhibit 38 of Petitioner's Surrogate Selection Comments.

³⁵ See SC and SV Information Memo, PT Budi's financial statements.

³⁶ See *id.*

Affiliation and Treatment as a Single Entity

Section 771(33) of the Act provides that:

The following persons shall be considered to be ‘affiliated’ or ‘affiliated persons’:

- (A) Members of a family, including brothers and sisters (whether by the whole or half-blood), spouse, ancestors, and lineal descendants.
- (B) Any officer or director of an organization and such organization.
- (C) Partners.
- (D) Employer and employee.
- (E) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 percent or more of the outstanding voting stock or shares of any organization and such organization.
- (F) Two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.
- (G) Any person who controls any other person and such other person.

Additionally, section 771(33) of the Act states that: “For purposes of this paragraph, a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the other person.”³⁷

Meihua Holdings Group Co., Ltd is the parent company that owns 100 percent of Langfang Meihua, Tongliao Meihua Biological SCI-TECH Co., Ltd., Meihua Group International Trading (Hong Kong) Limited, and Meihua Holdings Group Co., Ltd, Bazhou Branch and therefore the Department finds that these five companies are affiliated in accordance with section 771(33)(E) and (F), based on ownership and common control.³⁸

Pursuant to 19 CFR 351.401(f)(1), the Department usually treats two or more affiliated producers as a single entity where: (1) those producers have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities; and (2) there is a significant potential for manipulation of price or production. 19 CFR 351.401(f)(2) further states that in identifying a significant potential for manipulation, the Department may consider factors including: (1) the level of common ownership; (2) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and (3) whether operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers. While 19 CFR 351.401 (f) applies only to producers, the Department finds it to be instructive in determining whether non-producers should be collapsed and used the criteria in the regulation in its analysis.³⁹

³⁷ See 19 CFR 351.102(3).

³⁸ See The Meihua Group’s Section A response, at 15-30.

³⁹ See, e.g., Honey From Argentina: Preliminary Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review, 77 FR 1458, 1461-62 (January 10, 2012), unchanged in Honey From Argentina: Final Results of Antidumping Duty Administrative Review, 77 FR 36253 (June 18, 2012).

Langfang Meihua and Meihua Group International Trading (Hong Kong) Limited are responsible for selling and exporting subject merchandise produced by the Meihua Group, Langfang Meihua is in the same facility as Meihua Group and shares personnel.⁴⁰ Tongliao Meihua Biological SCI-TECH Co., Ltd. and its 1st Branch are responsible for manufacturing Meihua Group products, including subject merchandise, and share management with the Meihua Group.⁴¹ Meihua Holdings Group Co., Ltd, Bazhou Branch is a division of the Meihua Group which ceased production, but did produce subject merchandise during the POI.⁴² During its existence, Meihua Holdings Group Co., Ltd, Bazhou Branch did not have its own board of directors and was considered part of the Meihua Group.⁴³ As we find that these above listed companies could switch roles and restructure manufacturing priorities without substantial retooling of facilities and that, according to our regulation and practice, they satisfy the first criteria of 19 CFR 351.401(f)(1).

Further, because Meihua Group owns 100 percent of these companies, these companies are totally owned by the same holding company and thus have common ownership. In addition, these companies' operations are intertwined through the sharing of sales information, involvement in production and pricing decisions, shared board members, the sharing of facilities and employees, and significant transactions between these affiliated producers,⁴⁴ we find that there is a significant potential for the manipulation of price or production and that, according to our regulation and practice, they satisfy the criteria of 19 CFR 351.401(f)(2). Therefore, because both 19 CFR 351.401(f)(1) and (2) are met, we are collapsing Langfang Meihua, Tongliao Meihua Biological SCI-TECH Co., Ltd., Meihua Group International Trading (Hong Kong) Limited, Meihua Holdings Group Co., Ltd, and Meihua Holdings Group Co., Ltd, Bazhou Branch into single entity (*i.e.*, the Meihua Group), for the preliminary determination and calculating an antidumping margin for this single entity.

The Meihua Group contends that a separate company, Tongliao Jianlong Acid Produce Co., Ltd., should also be considered part of the Meihua Group as it is an affiliated producer of sulfuric acid, an input for MSG, owned and directed by Meihua Holdings Group Co., Ltd.⁴⁵ Because Tongliao Jianlong Acid Produce Co., Ltd is only an input producer, and cannot produce subject merchandise without substantial retooling, we are not including it as part of the Meihua Group single entity for this preliminary determination.⁴⁶

Separate Rates

In proceedings involving NME countries, the Department begins with a rebuttable presumption that all companies within the NME country are subject to government control and, thus, should

⁴⁰ See The Meihua Group's Section A Response, at 17.

⁴¹ See *id.*, at Exhibit A-10.

⁴² See *id.*, at 16.

⁴³ See *id.*, at 8.

⁴⁴ See *id.*, at 16-30.

⁴⁵ See *id.*

⁴⁶ See 19 CFR 351.401(f)(1).

be assessed a single AD rate.⁴⁷ In the Initiation Notice, the Department notified parties of the application process by which exporters may obtain separate-rate status in NME proceedings.⁴⁸ It is the Department's policy to assign all exporters of merchandise under investigation that are in an NME country a single weighted-average dumping margin unless an exporter can demonstrate that it is sufficiently independent from government control so as to be entitled to a separate rate.⁴⁹ The Department analyzes whether each entity exporting the subject merchandise is sufficiently independent from government control under a test arising from Sparklers,⁵⁰ as further developed in Silicon Carbide.⁵¹ In accordance with the separate rates criteria, the Department assigns separate rates to respondents in NME cases if respondents can demonstrate the absence of both de jure and de facto governmental control over their export activities. If, however, the Department determines that a company is wholly foreign owned, then a separate rate analysis is not necessary to determine whether it is independent from government control.⁵²

Shandong Linghua, Jianyang Wuyi, the Meihua Group, Neimenggu Fufeng, Baoji Fufeng each applied for separate-rate status. As noted above, Shandong Linghua did not respond to the Department's AD questionnaire and withdrew participation in the investigation. Therefore, we are preliminarily treating Shandong Linghua as part of the PRC-wide entity. See below for further discussion. In addition, Neimenggu Fufeng and Baoji Fufeng reported that they are registered as limited liability companies and are wholly foreign-owned enterprises.⁵³ Therefore, as discussed above, we do not need to perform a separate rate analysis to grant these two companies' separate rate status.

Jianyang Wuyi and the Meihua Group reported that they are registered as a limited liability company and a foreign trade operator to conduct import and export businesses.⁵⁴ Therefore, the

⁴⁷ 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); see also 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).

⁴⁸ See Initiation Notice, 78 FR at 65281.

⁴⁹ See Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China, 56 FR 20588, 20589 (May 6, 1991) (Sparklers), as amplified by 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).

⁵⁰ See Sparklers, 56 FR at 20588.

⁵¹ See Silicon Carbide, 59 FR at 22585.

⁵² 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).

⁵³ See Letter from Neimenggu Fufeng to the Honorable Penny Pritzker, Secretary of Commerce, "Separate Rate Application for Neimenggu Fufeng Biotechnologies Co., Ltd. in the Antidumping Duty Investigation on Monosodium Glutamate from the People's Republic of China," dated December 30, 2013 at 8-11; see also Letter from Baoji Fufeng to the Honorable Penny Pritzker, Secretary of Commerce, "Separate Rate Application for Baoji Fufeng Biotechnologies Co., Ltd. in the Antidumping Duty Investigation on Monosodium Glutamate from the People's Republic of China," dated December 30, 2013 at 8-11.

⁵⁴ See Letter from Jianyang Wuyi to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate (MSG) from the People's Republic of China: Separate Rate Application of Fujian Province Wuyi MSG Co., Ltd.," dated December 24, 2013 at 5-9 (Jianyang Wuyi Separate Rate Application); see also letter from the Meihua Group to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate from the People's Republic of China: Separate Rate Application," dated December 30, 2013 at 14, and Exhibit 4 (Meihua Group Separate Rate Application).

Department must analyze whether Jianyang Wuyi and the Meihua Group can demonstrate the absence of both de jure and de facto government control over its export activities.⁵⁵

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; or (3) other formal measures by the government decentralizing control of companies.⁵⁶

The evidence provided by Jianyang Wuyi and the Meihua Group supports a preliminary finding of an absence of de jure government control based on the following: (1) an absence of restrictive stipulations associated with these companies' business and export licenses;⁵⁷ (2) there are applicable legislative enactments decentralizing control of companies;⁵⁸ and (3) there are formal measures by the government decentralizing control of companies.⁵⁹

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 the disposition of profits or financing of losses.⁶⁰ The Department determined that an analysis of de facto control is critical in determining whether respondents are, in fact, subject to a degree of government control over export activities which would preclude the Department from assigning separate rates.

For Jianyang Wuyi and the Meihua Group, we determine that the evidence on the record supports a preliminary finding of an absence of de facto government control based on record statements and supporting documentation showing the following: (1) Jianyang Wuyi and the Meihua Group set their own export prices independent of the government and without the

⁵⁵ 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).

⁵⁶ See Sparklers, 56 FR at 20589.

⁵⁷ See Jianyang Wuyi Separate Rate Application at 5-9, Meihua Group Separate Rate Application at 13-19.

⁵⁸ See id.

⁵⁹ See id.

⁶⁰ 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).

approval of a government authority; (2) Jianyang Wuyi and the Meihua Group have the authority to negotiate and sign contracts and other agreements;⁶¹ (3) Jianyang Wuyi and the Meihua Group have autonomy from the government regarding the selection of management;⁶² and (4) Jianyang Wuyi and the Meihua Group retain the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses.⁶³

Thus, the evidence placed on the record by Jianyang Wuyi, the Meihua Group, Neimenggu Fufeng, and Baoji Fufeng demonstrates an absence of both de jure and de facto government control with respect to these companies' exports of the merchandise under consideration, in accordance with the criteria identified in Sparklers and Silicon Carbide. Therefore, we are preliminarily granting Jianyang Wuyi, the Meihua Group, Neimenggu Fufeng, and Baoji Fufeng separate-rate status.

Normally, the Department's practice is to assign to separate rate entities a rate equal to the weighted-average of the rates calculated for the individually examined respondents, excluding any rates that are zero, *de minimis*, or based entirely on adverse facts available ("AFA").⁶⁴ When only one weighted-average dumping margin for the individually investigated respondents is above *de minimis* and not based entirely on facts available, the separate rate is equal to that single above *de minimis* margin.⁶⁵ Therefore, the margin assigned to separate rate companies is the weighted-average dumping margin calculated for Meihua Group.

Application of Facts Available and Adverse Inferences

Section 776(a)(2) of the Act provides that, if an interested party or any other person (A) withholds information that has been requested by the Department, (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act, (C) significantly impedes a proceeding under the AD statute, or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

The Department did not receive a response to its AD questionnaire from Shandong Linghua, which was selected as mandatory respondent in this investigation. Because the non-responsive PRC producer/exporter has not demonstrated its eligibility for separate-rate status, we preliminary find it is part of the PRC-wide entity. Thus, the record indicates that the PRC-wide entity withheld information requested by the Department, failed to provide information in a timely manner, and significantly impeded the proceeding by not submitting the requested

⁶¹ See Jianyang Wuyi Separate Rate Application at 9-17, Meihua Group Separate Rate Application at 19-29.

⁶² See *id.*

⁶³ See *id.*

⁶⁴ See, e.g., Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China, 71 FR 77373, 77377 (December 26, 2006), unchanged in Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China, 72 FR 19690 (April 19, 2007).

⁶⁵ Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 74 FR 36656, 36660 (July 24, 2009).

information. As a result, pursuant to sections 776(a)(2)(A)-(C) of the Act, we find that the preliminary use of facts available is appropriate to determine the weighted-average dumping margin for the PRC-wide entity.

Section 776(b) of the Act provides that, in selecting from among the facts otherwise available, the Department may use an inference that is adverse to the interests of an interested party if that party failed to cooperate by not acting to the best of its ability to comply with requests for information. When using an adverse inference, section 776(b) of the Act states that the Department may rely upon information derived from the petition, the final determination from the LTFV investigation, a previous administrative review, or any other information placed on the record.

We find that the PRC-wide entity's failure to provide the requested information constitutes circumstances under which it is reasonable to conclude that less than full cooperation has been shown.⁶⁶ The PRC-wide entity did not respond to our requests for information, and did not indicate it was having difficulty providing the information, nor did it request that it be allowed to submit the information in an alternate form. Therefore, we preliminarily find that the PRC-wide entity failed to cooperate by not acting to the best of its ability to comply with requests for information. Hence, in selecting from among the facts otherwise available, an adverse inference is appropriate.

In selecting a preliminary weighted-average dumping margin for the PRC-wide entity based on AFA, the Department's practice is to select a rate that is sufficiently adverse to ensure that the uncooperative party does not obtain a more favorable result by failing to cooperate than if it had fully cooperated.⁶⁷ Specifically, it is the Department's practice to select, as an AFA rate, the higher of: (a) the highest dumping margin alleged in the petition, or (b) the highest calculated dumping margin of any respondent in the investigation.⁶⁸ The petition dumping margins, which range from 103.76 percent to 204.69 percent,⁶⁹ are higher than the dumping margin calculated for the mandatory respondent participating in this investigation (*i.e.*, the Meihua Group). Therefore, we examined the petition margins to determine whether we could corroborate these rates.

⁶⁶ See Nippon Steel Corporation v. United States, 337 F.3d 1373, 1383 (Fed. Cir. 2003) (noting that the Department need not show intentional conduct existed on the part of the respondent, but merely that a "failure to cooperate to the best of a respondent's ability" existed (*i.e.*, information was not provided "under circumstances in which it is reasonable to conclude that less than full cooperation has been shown"))).

⁶⁷ See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Purified Carboxymethylcellulose From Finland, 69 FR 77216 (December 27, 2004), unchanged in Notice of Final Determination of Sales at Less Than Fair Value: Purified Carboxymethylcellulose From Finland, 70 FR 28279 (May 17, 2005).

⁶⁸ See Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon Quality Steel Products From the People's Republic of China, 65 FR 34660 (May 31, 2000), and accompanying Issues and Decision Memorandum, at "Facts Available."

⁶⁹ See Initiation Notice, 78 FR at 65281.

Corroboration

Section 776(c) of the Act requires the Department to corroborate, to the extent practicable, secondary information used as facts available. Secondary information is defined as “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.”⁷⁰

The SAA clarifies that “corroborate” means that the Department will satisfy itself that the secondary information to be used has probative value.⁷¹ The SAA also states that independent sources used to corroborate such evidence may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation.⁷² To corroborate secondary information, the Department will, to the extent practicable, determine whether the information used has probative value through examining the reliability and relevance of the information.⁷³

In order to determine the probative value of the dumping margin alleged in the petition for assigning an AFA rate, we examined the information on the record. When we compared the petition dumping margins of 103.76 percent to 204.69 percent, to the transaction-specific dumping margins for the mandatory respondent (*i.e.*, the Meihua Group), we found that the petition dumping margins are significantly higher than each of the transaction-specific dumping margin calculated for the Meihua Group. Therefore, we were unable to corroborate the dumping margin contained in the petition.⁷⁴

Therefore, for the preliminary determination, we assigned to the PRC-wide entity a dumping margin of 52.27 percent, which is the highest transaction-specific dumping margin for the Meihua Group.⁷⁵ It is unnecessary to corroborate this rate because it was obtained in the course of this investigation and, therefore, is not secondary information.⁷⁶ The transaction underlying this dumping margin is neither unusual in terms of transaction quantities nor otherwise atypical. For further information, see the Corroboration Memorandum.

Date of Sale

19 CFR 351.401(i) states that, in identifying the date of sale of the merchandise under consideration or foreign like product, the Secretary normally will use the date of invoice, as

⁷⁰ See Statement of Administrative Action accompanying the Uruguay Round Agreements Act (“SAA”), H. Doc. No. 316, 103d Cong., 2d Session at 870 (1994).

⁷¹ See id.

⁷² See id.

⁷³ See 19 CFR 351.308(d); see also Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil: Notice of Final Determination of Sales at Less Than Fair Value, 65 FR 5554, 5568 (February 4, 2000).

⁷⁴ For details regarding this finding, see Memorandum to the File, “Antidumping Duty Investigation of Monosodium Glutamate from the People’s Republic of China: Corroboration of Margin Based on Adverse Facts Available,” dated concurrently with this memorandum (“Corroboration Memorandum”).

⁷⁵ See, e.g., Silica Bricks and Shapes From the People’s Republic of China: Preliminary Determination of Antidumping Duty Investigation and Postponement of Final Determination, 78 FR 37203 (June 20, 2013), and accompanying Preliminary Decision Memorandum at Comment 3.

⁷⁶ See Section 776(c) of the Act; see also SAA at 870 (providing examples of secondary information).

recorded in the exporter or producer's records kept in the ordinary course of business. Additionally, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale. Moreover, the Department's practice is to use shipment date as the date of sale when shipment date precedes invoice date.⁷⁷

The Meihua Group reported the shipping date as the date of sale because after this date, all major items, such as "price" and "quantity" of the transaction are fixed.⁷⁸ The Meihua Group also reported that the shipment dates precede invoice dates for transactions in this investigation.⁷⁹ The Department found no evidence contrary to the respondent's claims that the shipping date is the appropriate date of sale. Therefore, the Department used the shipping date as the date of sale for this preliminary determination in accordance with 19 CFR 351.401(i) and its practice.⁸⁰

Co-product/By-product Analysis

The Department applied its five factor analysis to determine which joint products are to be considered co-products and which are to be considered by-products.⁸¹ Because this analysis relies on business proprietary information, see Meihua Calculations Memo for further discussion of this issue. We preliminarily determine that corn gluten, corn germ, corn bran, and high protein scrap are co-products and that crushed corn, corn feed, liquid nitrogen, liquid oxygen, liquid argon, waste activated carbon, cinder, ammonia in aqueous solution, MSG mother liquor, and organic bacterial protein are by-products of MSG production.⁸²

Fair Value Comparisons

In accordance with section 777A(d)(1) of the Act, to determine whether the Meihua Group sold MSG to the United States at LTFV during the POI, we compared, as described in the "Determination of a Comparison Method" section below, the weighted-average export price of the U.S. sales to the weighted-average normal value, as described in "Export Price" and "Normal Value" sections of this notice.

⁷⁷ See, e.g., Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review, 72 FR 52065 (September 12, 2007) and accompanying Issues and Decision Memorandum at Comment 11.

⁷⁸ See Letter from the Meihua Group to the Honorable Penny Pritzker, Secretary of Commerce, "Monosodium Glutamate from the People's Republic of China: Section C Questionnaire Response," dated February 20, 2014, at 12.

⁷⁹ See the Meihua Group's Section C response dataset.

⁸⁰ See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10.

⁸¹ See Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 101 (January 2, 2014) and accompanying Issues and Decision Memorandum at Comment 5.

2012 Antidumping Duty Administrative Review" (December 26, 2013).

⁸² See the Memorandum from Case Analyst to Ed Yang, Office Director, AD/CVD Operations, Office VII, "Antidumping Duty Investigation of Monosodium Glutamate from the People's Republic of China: Analysis of the Preliminary Margin Calculation of Meihua Holding Group Co., Ltd." dated concurrently with this memorandum.

Determination of the Comparison Method

A. Differential Pricing Analysis

Pursuant to 19 CFR 351.414(c), the Department calculates dumping margins by comparing weighted-average normal values to weighted-average export prices (or constructed export prices) (the average-to-average method) unless the Secretary determines another method is appropriate in a particular situation. The Department's regulations also provide that dumping margins may be calculated by comparing normal values, based on individual transactions, to the export prices (or constructed export prices) of individual transactions (transaction-to-transaction method) or, when certain conditions are satisfied, by comparing weighted-average normal values to the export prices (or constructed export prices) of individual transactions (average-to-transaction method).⁸³ In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of the average-to-average method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1).⁸⁴ The Department may determine that in particular circumstances, consistent with section 777A(d)(1)(B) of the Act, that it is appropriate to use the average-to-transaction method. The Department will continue to develop its approach in this area based on comments received in this investigation and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in this preliminary determination requires a finding of a pattern of export prices (or constructed export prices) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used in this preliminary determination evaluates all purchasers, regions, and time periods to determine whether a pattern of significant price differences exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the customer codes reported by the Meihua Group. Regions are defined using the reported destination code (*i.e.*, zip code) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POI being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that the Department uses in making comparisons between export price (or constructed export price) and normal value for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable

⁸³ See 19 CFR 351.414(b)(1) and (2).

⁸⁴ See, *e.g.*, Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013), and accompanying Issues and Decision Memorandum at Comment 3.

merchandise, the Cohen's *d* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen's *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region, or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen's *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and the sales were found to pass the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large (i.e., 0.8) threshold.

Next, the "ratio test" assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of export prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test as an alternative to the average-to-average method and application of the average-to-average method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (i.e., the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of export prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if 1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method where both rates are above the de minimis threshold, or 2) the resulting weighted-average dumping margin moves across the de minimis threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in this preliminary determination, including arguments for modifying the group definitions used in this proceeding.

B. Results of the Differential Pricing Analysis

For the Meihua Group, based on the results of the differential pricing analysis, the Department finds that over 66 percent of Meihua Group's export sales confirm the existence of a pattern of export prices for comparable merchandise that differ significantly among time periods only. Further, the Department determines that the average-to-average method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the average-to-average method and the average-to-transaction method. Accordingly, the Department preliminarily determines to use the average-to-average method for all U.S. sales in making comparisons of export price and normal value for the Meihua Group.

Export Price

In accordance with section 772(a) of the Act, we based U.S. price on export price because the first sale to an unaffiliated purchaser was made prior to the date of importation and the use of constructed export price was not otherwise warranted.⁸⁵ We calculated export price based on the packed prices at which the merchandise under consideration was sold to unaffiliated purchasers in the United States, or sold for exportation to the United States. In calculating export price, we made deductions from the reported U.S. price for movement expenses, as appropriate (e.g., foreign inland freight from the plant to the port of exportation, foreign brokerage and handling, marine insurance, U.S customs duties, and international freight), in accordance with section 772(c)(2)(A) of the Act. Because the Meihua Group reported that foreign inland freight, foreign brokerage and handling, and marine insurance services were provided by PRC service providers or paid for in renminbi, we based those charges on surrogate values.⁸⁶

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine normal value using an FOP methodology if the merchandise is exported from an NME and the information does not permit the calculation of normal value using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. The Department bases normal value on FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies.⁸⁷ Thus, we calculated normal value based on FOPs in accordance with sections 773(c)(3) and (4) of the Act and 19 CFR 351.408(c). Under section 773(c)(3) of the Act, FOPs include, but are not limited to: (1) hours of labor required; (2) quantities of raw materials employed; (3) amounts of energy and other utilities consumed; and (4) representative capital costs.⁸⁸

⁸⁵ See The Meihua Group's Section C response, U.S. sales dataset.

⁸⁶ See "Factor Valuation Methodology" section below for further discussion of surrogate value rates.

⁸⁷ See, e.g., Preliminary Determination of Sales at Less Than Fair Value, Affirmative Critical Circumstances, In Part, and Postponement of Final Determination: Certain Lined Paper Products From the People's Republic of China, 71 FR 19695, 19703 (April 17, 2006), unchanged in 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 (September 8, 2006).

⁸⁸ See section 773(c)(3)(A)-(D) of the Act.

Factor Valuation Methodology

In accordance with section 773(c) of the Act, we calculated normal value based on the FOPs reported by the individually examined respondent. To calculate normal value, the Department multiplied the reported per-unit factor-consumption rates by publicly available surrogate values. In selecting the best available information for valuing FOPs in accordance with section 773(c)(1) of the Act, the Department's practice is to select, to the extent practicable, publicly available surrogate values which are product-specific non-export values representative of a broad market average that are exclusive of taxes and duties and contemporaneous with, or closest in time to, the POI.⁸⁹ Furthermore, as appropriate, we adjusted input prices by including freight costs to render them delivered prices. Specifically, the Department added a surrogate freight cost, where appropriate, to surrogate values using the shorter of the reported distance from the domestic supplier to the respondent's factory or the distance from the nearest seaport to the respondent's factory. 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, we adjusted the surrogate values for inflation, exchange rates, and taxes.

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 or subsidization.⁹⁰ 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,⁹¹ the Department uses the actual purchase prices to value the inputs.

The record shows that Indonesia import data obtained through the GTA, are product-specific, representative of broad market average, publicly available, tax-exclusive, and generally contemporaneous with the POI.⁹² Thus, for the preliminary determination, we relied on Indonesia import data, as published by GTA, and other publicly available sources from Indonesia in order to calculate surrogate values for the Meihua Group's FOPs (e.g., surrogate values for direct materials, by-products, and packing materials) and certain movement expenses.⁹³ In those instances where we could not obtain publicly available Indonesia surrogate values contemporaneous with the POI with which to value FOPs, we adjusted the surrogate values using, where appropriate, the Indonesia Price Indexes as published in the International Monetary Fund's International Financial Statistics.⁹⁴

⁸⁹ See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam, 69 FR 42672, 42682 (July 16, 2004), unchanged in Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam, 69 FR 71005 (December 8, 2004).

⁹⁰ See, e.g., Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27366 (May 19, 1997).

⁹¹ 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").

⁹² A detailed description of all surrogate values used for the Meihua Group can be found in the Factor Valuation Memorandum.

⁹³ See id.

⁹⁴ See id.

With regard to the Indonesia import-based surrogate values, we disregarded import prices that we have reason to believe or suspect may be subsidized. It is the Department's practice, guided by legislative history, not to conduct a formal investigation to ensure that such prices are not subsidized.⁹⁵ Rather, the Department bases its decision on information that is available to it at the time that it makes its determination.⁹⁶ Specifically, we have reason to believe or suspect that prices of inputs from India and South Korea may have been subsidized because in other proceedings we found that these countries maintain broadly available, non-industry-specific export subsidies.⁹⁷ Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized and thus it is appropriate to disregard imports into Indonesia from these countries in our calculations.⁹⁸ Additionally, consistent with our practice, we disregarded prices from NME countries and excluded from our calculation of average per-unit surrogate values imports labeled as originating from an "unspecified" country because the Department could not be certain that they were not from either an NME country or a country with generally available export subsidies.⁹⁹ Therefore, we have not used prices from such countries in calculating the Indonesia import-based surrogate values or in calculating ME input values. A summary of the surrogate values used for certain inputs, other than by-products, direct materials, and packing materials, is below.

We valued labor using an Indonesian industry-specific wage rate based on labor cost and compensation data from Chapter 5B of the International Labor Organization ("ILO")

⁹⁵ See Omnibus Trade and Competitiveness Act of 1988, Conference Report, H.R. Rep. 100-576 at 590 (1988); 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); Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value, 73 FR 24552, 24559 (May 5, 2008), unchanged in Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 73 FR 55039 (September 24, 2008).

⁹⁶ See *id.*

⁹⁷ 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 Issues and Decision Memorandum at 4-5; Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review, 79 FR 5378 (January 31, 2014), and accompanying Issues and Decision Memorandum at 3-5.

⁹⁸ See, e.g., 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 Issues and Decision Memorandum at Comment 7.

⁹⁹ These countries include India, Indonesia, South Korea and Thailand. See China Nat'l Mach. Import & Export Corp. v. United States, 293 F. Supp. 2d 1334, 1336 (CIT 2003), *aff'd* 104 Fed. Appx. 183 (Fed. Cir. 2004); Certain Cut-to-Length Carbon Steel Plate from Romania: Notice of Final Results and Final Partial Rescission of Antidumping Duty Administrative Review, 70 FR 12651 (March 15, 2005), and accompanying Issues and Decision Memorandum at Comment 4; 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, 75301 (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); see also Citric Acid and Certain Citrate Salts From the People's Republic of China: Preliminary Results of the First Administrative Review of the Antidumping Duty Order; and Partial Rescission of Administrative Review, 76 FR 34048, 34051 (June 10, 2011), unchanged in Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of the First Administrative Review of the Antidumping Duty Order, 76 FR 77772 (December 14, 2011).

Yearbook.¹⁰⁰ The ILO data reported under Chapter 5B of the Yearbook reflects all costs related to labor, including wages, benefits, housing, etc.¹⁰¹ Although the Department's recent practice is to value labor using data reported under Chapter 6A of the ILO as its primary data source, in this case Chapter 6A does not contain recent Indonesian labor data. ILO industry-specific data are reported according to an ISIC code, which is maintained by the United Nations Statistical Division ("United Nations") and is periodically updated.¹⁰²

We valued electricity using the amounts reported consumed in production of subject merchandise.¹⁰³ The electricity calculation is based on the rates from the 2012 Handbook of Energy & Economic Statistics of Indonesia published by the Indonesia Ministry of Energy and Mineral Resources.¹⁰⁴ We adjusted the electricity rate to be contemporaneous with the POI and calculated a value of USD\$ 0.0787 per Kilowatt Hour.

We valued brokerage and handling expenses using a price list for procedures necessary to export a standardized cargo of goods from Indonesia using a 20-foot container weighing 10,000 kilograms. The price list was published in the World Bank publication, Doing Business 2013: Indonesia. We did not inflate this price because it is contemporaneous with the POI.¹⁰⁵

We also valued truck freight expenses using data from the World Bank's Doing Business 2013: Indonesia and used a calculation methodology based on a 20-foot container weighing 10,000 kilograms and an average distance of 14.42 kilometers. We did not inflate this price because it is contemporaneous with the POI.¹⁰⁶

We valued the cost of insuring goods transported from the PRC to the United States using the marine insurance rate published by RJG Consultants on December 2010. We adjusted the marine insurance rate to be contemporaneous with the POI and calculated a value of \$.01137809 per dollar value.¹⁰⁷

To value factory overhead, selling, general, and administrative expenses, and profit, we used rates based on data taken from the 2012 financial statements of PT Budi Acid Jaya Tbk (PT Budi). PT Budi is an Indonesian producer of comparable merchandise, including starch, glucose, and citric acid, and its financial statements show no indication of countervailable subsidies. PT Budi's financial statements cover the fiscal year ending December 31, 2012, the closest time period to the POI that completed audited financial statements are available.¹⁰⁸

¹⁰⁰ See Petitioner's Surrogate Selection Comments, at Exhibit II-10.

¹⁰¹ See id.

¹⁰² See Factor Valuation Memorandum.

¹⁰³ See Xanthan Gum From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 78 FR 2252 (January 10, 2013), and Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33351 (June 4, 2013).

¹⁰⁴ See Factor Valuation Memorandum.

¹⁰⁵ See id.

¹⁰⁶ See id.

¹⁰⁷ See id.

¹⁰⁸ See id.

CURRENCY CONVERSION

Where necessary, we made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

CRITICAL CIRCUMSTANCES

On April 11, 2014, Petitioner alleged that critical circumstances exist with respect to imports of MSG from the PRC and submitted U.S. Census Bureau import data in support of its allegation.¹⁰⁹ On the same day, the Department requested from the Meihua Group monthly shipment data of subject merchandise to the United States for the period January 2013 through May 2014.¹¹⁰ On April 16, 2014, Meihua Group submitted the requested data.¹¹¹ Based on our analysis, we preliminarily find that critical circumstances exist for the Meihua Group, the separate rate companies, and the PRC-wide entity.¹¹²

CONCLUSION

We recommend applying the above methodology for this preliminary determination.

Agree Disagree



Paul Piquado
Assistant Secretary
for Enforcement and Compliance

1 MAY 2014

Date

¹⁰⁹ See letter from Petitioner “Monosodium Glutamate from China: Petitioner’s Critical Circumstances Allegations,” dated April 11, 2014.

¹¹⁰ See letter to the Meihua Group “Re: Antidumping Duty Investigation of Monosodium Glutamate from the People’s Republic of China: Critical Circumstances,” dated April 11, 2014.

¹¹¹ See letter from the Meihua Group “Monosodium Glutamate from the People’s Republic of China: Critical Circumstances Responses,” dated April 16, 2014.

¹¹² See Memorandum to the File, “Antidumping Duty Investigation of Monosodium Glutamate from the People’s Republic of China: Critical Circumstances Analysis” (May 1, 2014).