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May 16, 2014

MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for Preliminary Results of Fourth
Antidumping Duty Administrative Review: Certain Steel
Threaded Rod from the People's Republic of China

SUMMARY

In response to requests from interested parties, the Department of Commerce ("Department") is conducting the fourth administrative review of the antidumping duty order on certain steel threaded rod from the People's Republic of China ("PRC") for the period of review ("POR") April 1, 2012, through March 31, 2013. The Department preliminarily determines that RMB Fasteners Ltd., IFI & Morgan Ltd., and Jiaying Brother Standard Part Co., Ltd. (collectively, "the RMB/IFI Group") sold subject merchandise in the United States at prices below normal value ("NV").

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 intend to issue final results no later than 120 days from the date of publication of this notice, pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended ("the Act").

Background

On June 3, 2013, the Department initiated an administrative review of the antidumping duty order on certain steel threaded rod from the PRC for the period April 1, 2012, through March 31,



2013.¹ As explained in the memorandum from the Assistant Secretary for Enforcement and Compliance, the Department exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 1, through October 16, 2013.² Therefore, all deadlines in this segment of this proceeding have been extended by 16 days. The Department further extended the deadline for these preliminary results by 120 days.³ The revised deadline for the preliminary results of this review is now May 16, 2014.

Respondent Selection

Section 777A(c)(1) of the Act directs the Department to calculate an individual weighted-average dumping margin for each known exporter or producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department discretion to limit its examination to a reasonable number of exporters and producers if it is not practicable to make individual weighted average dumping margin determinations because of the large number of exporters and producers involved in the review.

On June 28, 2013, the Department placed CBP data for the Harmonized Tariff Schedule (“HTS”) numbers listed in the scope of the order on the record of the review and requested comments on the data for use in respondent selection.⁴ The Department received comments from Vulcan Threaded Products, Inc. (“Petitioner”) on July 8, 2013. No other party submitted comments. Based on CBP data, the Department selected the RMB/IFI Group as the single mandatory respondent in this administrative review.⁵

Scope of the Order

The merchandise covered by the order is steel threaded rod. Steel threaded rod is certain threaded rod, bar, or studs, of carbon quality steel, having a solid, circular cross section, of any diameter, in any straight length, that have been forged, turned, cold-drawn, cold-rolled, machine straightened, or otherwise cold-finished, and into which threaded grooves have been applied. In addition, the steel threaded rod, bar, or studs subject to the order are non-headed and threaded

¹ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 33052, 33056-58 (June 3, 2013) (“*Initiation Notice*”). The Department incorrectly included three companies in the *Initiation Notice*, which was corrected in the *August Initiation Notice*, where the Department removed these three companies and instead correctly initiated on two other companies. See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 53128, 53130, n.6 (August 28, 2013) (“*August Initiation Notice*”).

² See Memorandum for the Record from Paul Piquado, Assistant Secretary for Enforcement and Compliance, “Deadlines Affected by the Shutdown of the Federal Government” (October 18, 2013).

³ See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, through James C. Doyle, Director, Office V, from Jerry Huang, Case Analyst, Office V, “Certain Steel Threaded Rod from the People’s Republic of China: Extension of Deadline of Preliminary Results of Antidumping Duty Administrative Review” (January 7, 2014).

⁴ See Memorandum to the File from Julia Hancock, Senior Case Analyst, “Certain Steel Threaded Rod from the People’s Republic of China: Customs Data of U.S. Imports of Certain Steel Threaded Rod” (June 28, 2013) (“*CBP Data*”).

⁵ See Memorandum to James C. Doyle, Director, Office V, from Jerry Huang, Case Analyst, Office V, “Fourth Administrative Review of Steel Threaded Rod from the People’s Republic of China: Respondent Selection” (November 15, 2013).

along greater than 25 percent of their total length. A variety of finishes or coatings, such as plain oil finish as a temporary rust protectant, zinc coating (*i.e.*, galvanized, whether by electroplating or hot-dipping), paint, and other similar finishes and coatings, may be applied to the merchandise.

Included in the scope of the order are steel threaded rod, bar, or studs, in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 1.80 percent of manganese, or
- 1.50 percent of silicon, or
- 1.00 percent of copper, or
- 0.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 1.25 percent of nickel, or
- 0.30 percent of tungsten, or
- 0.012 percent of boron, or
- 0.10 percent of molybdenum, or
- 0.10 percent of niobium, or
- 0.41 percent of titanium, or
- 0.15 percent of vanadium, or
- 0.15 percent of zirconium.

Steel threaded rod is currently classifiable under subheading 7318.15.5051, 7318.15.5056, 7318.15.5090, and 7318.15.2095 of the United States Harmonized Tariff Schedule (“HTSUS”). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise is dispositive.

Excluded from the scope of the order are: (a) threaded rod, bar, or studs which are threaded only on one or both ends and the threading covers 25 percent or less of the total length; and (b) threaded rod, bar, or studs made to American Society for Testing and Materials (“ASTM”) A193 Grade B7, ASTM A193 Grade B7M, ASTM A193 Grade B16, or ASTM A320 Grade L7.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

The Department considers the PRC to be a non-market economy (“NME”) country.⁶ 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. None of the parties to this proceeding contested such treatment. Therefore, we continue to treat the PRC as a NME country for purposes of these preliminary results.

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.⁷ 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.⁸ 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*,⁹ as amplified by *Silicon Carbide*.¹⁰ However, if 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.¹¹

In order to demonstrate separate-rate status eligibility, the Department normally requires entities, for whom a review was requested, and who were assigned a separate rate in a previous segment of this proceeding, to submit a separate rate certification stating that they continue to meet the criteria for obtaining a separate rate.¹² For entities that were not assigned a separate rate in the previous segment of a proceeding, to demonstrate eligibility, the Department requires a separate rate application.

⁶ See, e.g., *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).

⁷ See, e.g., *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).

⁸ See *Initiation Notice*, 78 FR at 33053-54.

⁹ 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*”).

¹⁰ 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*”).

¹¹ 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) (“*Wax Candles from the PRC*”).

¹² See *Initiation Notice*, 78 FR at 33053.

The Department received a separate rate certification and a completed response to the Section A portion of the NME questionnaire from the mandatory respondent, the RMB/IFI Group, which contained information pertaining to the company's eligibility for a separate rate. We considered whether the RMB/IFI Group is eligible for a separate rate. In its Section A response, the RMB/IFI Group, the sole mandatory respondent, reported that it is wholly-owned by individuals or companies located in a market economy ("ME") country. Therefore, because it is wholly foreign-owned, and we have no evidence indicating that it is under the control of the PRC government, a separate rate analysis is not necessary to determine whether this company is independent from government control.¹³ Accordingly, we preliminarily grant a separate rate to the RMB/IFI Group.

PRC-Wide Entity

Upon initiation of the administrative review, we provided the opportunity for all companies upon which the review was initiated to complete either the separate rate application or certification.¹⁴ Petitioner submitted a timely request for withdrawal of review for all but four companies named in the *Initiation Notice*.¹⁵ We preliminarily determine that, other than the RMB/IFI Group, three of four companies for which there was no withdrawal of the administrative review requests did not demonstrate their eligibility for a separate rate and are properly considered part of the PRC-wide entity.¹⁶ As a result, the PRC-wide entity is now under review. All companies within the PRC are considered to be subject to government control unless they are able to demonstrate an absence of government control with respect to their export activities. Such companies are thus assigned a single antidumping duty rate distinct from the separate rate(s) determined for companies that are found to be independent of government control with respect to their export activities.

We note that there are additional companies for which all review requests were withdrawn within the 90 day period.¹⁷ These additional companies for which all review requests were withdrawn do not have a separate rate from a prior segment of this proceeding, and therefore they remain a part of the PRC-wide entity.¹⁸

Although Haiyan Dayu submitted a separate rate application, the CBP data obtained by the Department and the information contained in the separate rate application did not establish that

¹³ See, e.g., *Wax Candles from the PRC*, 72 FR at 52356.

¹⁴ See *Initiation Notice*, 78 FR at 33053-54.

¹⁵ See Letter from Petitioner to the Secretary of Commerce, "Fourth Administrative Review of Certain Steel Threaded Rod from China – Petitioner's Withdrawal of Review Requests for Specific Companies" (July 5, 2013) ("Petitioner Withdrawal Letter").

¹⁶ These companies are: Haiyan Dayu Fasteners Co., Ltd. ("Haiyan Dayu"), Jiaying Brother Standard Part, and Zhejiang Morgan Brother Technology Co., Ltd.

¹⁷ See Petitioner Withdrawal Letter.

¹⁸ See, e.g., *Narrow Woven Ribbons With Woven Selvedge From the People's Republic of China: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 77 FR 47363, 47365 (August 8, 2012), unchanged in *Narrow Woven Ribbons With Woven Selvedge From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010–2011*, 78 FR 10130 (February 13, 2013). For a list of companies that are subject to this administrative review as part of the PRC-wide entity, see Appendix I of the corresponding *Federal Register* notice of the preliminary results of this administrative review.

Haiyan Dayu had entries of subject merchandise during the POR.¹⁹ Moreover, we issued a supplemental questionnaire to Haiyan Dayu and requested that Haiyan Dayu provide evidence to demonstrate that it exported subject merchandise during the POR.²⁰ Haiyan Dayu was unable to produce such evidence,²¹ and therefore we find that Haiyan Dayu is not eligible for a separate rate for this POR and should remain a part of the PRC-wide entity.

We consider the influence that the government has been found to have over the economy to warrant determining a rate for the entity that is distinct from the rates found for companies that have provided sufficient evidence to establish that they operate freely with respect to their export activities.²² Therefore, we are assigning as the entity's current rate, 206.00 percent, the only rate ever determined for the PRC-wide entity in this proceeding.²³

Surrogate Country and Surrogate Value Data

On November 18, 2013 the Department sent interested parties a letter inviting comments on surrogate country selection and surrogate value ("SV") data.²⁴ On January 3, 2014, Petitioner and the RMB/IFI Group submitted surrogate country comments. On January 31, 2014, Petitioner and the RMB/IFI Group submitted rebuttal surrogate country comments and SV comments. On April 16, 2014, Petitioner and the RMB/IFI Group submitted additional SV comments. On April 28, 2014, the RMB/IFI Group submitted rebuttal SV comments.

Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base NV, in most circumstances, on the NME producer's factors of production ("FOPs"), valued in a surrogate 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.²⁵ The Department determined that Colombia, Costa Rica, Indonesia, the Philippines, South Africa, and Thailand are countries whose per capita gross national incomes are at the same level of economic development as the PRC.²⁶

¹⁹ See CBP Data; Haiyan Dayu's August 2, 2013, separate rate application.

²⁰ See Department's Letter to Haiyan Dayu, "Steel Threaded Rod from the People's Republic of China: Separate Rate Application of Haiyan Dayu Fastener Co., Ltd" (August 16, 2013).

²¹ See Haiyan Dayu's August 30, 2013, letter.

²² See, e.g., *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, 53080 (September 8, 2006).

²³ See *Certain Steel Threaded Rod from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 8907, 8910 (February 27, 2009).

²⁴ See the Department's Letter to All Interested Parties, "Fourth Administrative Review of Certain Steel Threaded Rod from the People's Republic of China: Deadlines for Surrogate Country and Surrogate Value Comments" (November 18, 2013) ("Surrogate Country and Values Memo").

²⁵ See Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) ("*Policy Bulletin*").

²⁶ See Surrogate Country and Values Memo.

Petitioner submits that, for purposes of the Department’s selection of an appropriate surrogate, Thailand is a significant producer of identical merchandise which has publicly available data with which to obtain SVs. Citing to the two most recently completed antidumping duty administrative reviews of steel threaded rod from the PRC, Petitioner also notes that Thailand provides readily available data for the primary inputs used to produce subject merchandise.²⁷ Therefore, Petitioner proposes Thailand as an appropriate primary surrogate country for this review.

The RMB/IFI Group proposes that the Department should select Ukraine as the primary surrogate country in this review because Ukraine is economically comparable to the PRC, and it is a producer of comparable merchandise. However, if the Department chooses to not select Ukraine as the primary surrogate country, the RMB/IFI Group proposes that the Department should select the Philippines as the primary surrogate country because it is economically comparable to the PRC and a producer of comparable merchandise.

Economic Comparability

The Department’s current practice is to consider surrogate countries that are at the same level of economic development as the PRC for selection that otherwise meet our selection criteria. We may also consider countries not at the same level of economic development, but still at a level of economic development comparable to the NME country, only to the extent that data considerations outweigh the difference in levels of economic development. As explained in our Surrogate Country and Values Memo, the Department considers Colombia, Costa Rica, Indonesia, the Philippines, South Africa, and Thailand are all at the same level of economic development as the PRC.²⁸ Therefore, we consider all six countries identified in the Surrogate Country and Values Memo as having met this prong of the surrogate country selection criteria. While Ukraine is not on the surrogate country list, the RMB/IFI Group provided Ukraine’s GNI data that indicate it is within the band of GNIs of countries named in the surrogate country list. Thus, the Department also considers Ukraine to be at the same level of economic development as the PRC.

Significant Producers of 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,

²⁷ See *Certain Steel Threaded Rod From the People’s Republic of China: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review; 2010–2011*, 77 FR 67332 (November 9, 2012) and accompanying Issues and Decision Memorandum at Comment 1; *Certain Steel Threaded Rod From the People’s Republic of China; Final Results of Third Antidumping Duty Administrative Review; 2011-2012*, 78 FR 66330 (November 5, 2013) and accompanying Issues and Decision Memorandum (“STR Third Review Decision Memo”) at Comment 1.

²⁸ *Id.*

the country qualifies as a producer of comparable merchandise.”²⁹ Conversely, if identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.³⁰ Further, when selecting a surrogate country, the statute requires the Department to consider the comparability of the merchandise, not the comparability of the industry.³¹ “In cases where the identical merchandise is not produced, the Department must determine if other merchandise that is comparable is produced. How the Department does this depends on the subject merchandise.”³² In this regard, the Department recognizes that any analysis of comparable merchandise must be done on a case-by-case basis:

In other cases, however, where there are major inputs, *i.e.*, inputs that are specialized or dedicated or used intensively, in the production of the subject merchandise, *e.g.*, processed agricultural, aquatic and mineral products, comparable merchandise should be identified narrowly, on the basis of a comparison of the major inputs, including energy, where appropriate.³³

Further, the statute grants the Department discretion to examine various data sources for determining the best available information.³⁴ Moreover, while the legislative history provides that the term “significant producer” includes any country that is a significant “net exporter,”³⁵ it does not preclude reliance on additional or alternative metrics. In this case, because production data of comparable merchandise are not available, we analyzed exports of comparable merchandise from the seven countries, as a proxy for production data. We examined the export data from UNComTrade for HTS 7318.15: Threaded Screws And Bolts, Whether/Not With Their Nuts/Washers, Of Iron/Steel. The countries reported the following export volumes for 2012: (1) Columbia (729,943 kg); (2) Costa Rica (127,108 kg); (3) Indonesia (15,937,632 kg); (4) Philippine (10,189,710 kg); (5) South Africa (12,778,986 kg); (6) Thailand (92,690,360 kg); and (7) Ukraine (12,196,607 kg).³⁶

As noted above, all countries identified in the Surrogate Country and Values Memo and Ukraine had significant exports under the HTS numbers included in the scope of the order. Because none of the potential surrogate countries have been disqualified through the above analysis, the Department looks to the availability of SV data to determine the most appropriate surrogate country.

²⁹ See *Policy Bulletin* at 2.

³⁰ The *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.” *Id.*, at note 6.

³¹ See *Sebacic Acid from the People’s Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674, 65675-76 (December 15, 1997) (“{T}o 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.”).

³² See *Policy Bulletin* at 2.

³³ *Id.* at 3.

³⁴ See section 773(c) of the Act; see also *Nation Ford Chem. Co. v. United States*, 166 F.3d 1373, 1377 (Fed. Cir. 1990).

³⁵ See Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988).

³⁶ See RMB/IFI Group’s January 3, 2014, submission at Exhibit 2.

Data Availability

When evaluating SV data, the Department considers several factors including whether the SV is publicly available, contemporaneous with the POR, represents a broad-market average, from an approved surrogate country, tax and duty-exclusive, and specific to the input.³⁷ 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.³⁸ With respect to Colombia, Costa Rica, Indonesia, and South Africa, no interested party submitted data for any of these countries. Thus, there is no data for these countries on the record and the Department will not consider these countries for surrogate country selection purposes.

With respect to the Philippines, Thailand and Ukraine, Petitioner and the RMB/IFI Group submitted data for these countries for surrogate valuation purposes. Given that there is on the record data to value the FOPs from all three countries on the record of this proceeding, the Department must evaluate the quality of the data to determine which country provides the best available information for surrogate country selection purposes for this proceeding.

With respect to Ukraine, although the RMB/IFI Group submitted the financial statements for a Ukrainian company, Dneprometiz, these financial statements are from 2011 and not contemporaneous with the POR.³⁹ Therefore, the Department does not find that the surrogate financial information from Ukraine to be the best available information to calculate the financial ratios for the preliminary results. With respect to the information for valuing the other FOPs from Ukraine, the Department finds there is information on the record to value all of the FOPs from Ukraine.⁴⁰

Unlike Ukraine, the Department notes that there are multiple financial statements that are available on the record from Thailand that are usable for calculating the surrogate financial ratios.⁴¹ The Department finds that Thailand provides financial statements contemporaneous with the POR, unlike the Dneprometiz financial statements from Ukraine. Petitioner provided the financial statements of LS Industries Co., Ltd. ("LS Industries") and Hitech Fastener Manufacture (Thailand) Co., Ltd ("Hitech"), which both are producers of comparable merchandise. While Petitioner also provided financial statements of Tycoons Worldwide Group PLC, Bangkok Fastening Co., Ltd., and Thai Wire Products Public Company Limited, these statements do not provide a detailed breakout of the costs of material, labor and energy ("MLE") whereas the statements of LS Industries and Hitech break out the costs of MLE and therefore provide more detailed information to calculate financial ratios. Accordingly, the Department can rely on the financial statements of LS Industries and Hitech to calculate financial ratios. With regard to the main input of steel wire rod, there is import data from Thailand specific to the grade of steel wire rod used by respondents based on the carbon content of the steel.⁴² Moreover, the

³⁷ See, e.g., STR Third Review Decision Memo at Comment 1.C.

³⁸ See *Policy Bulletin*.

³⁹ See RMB/IFI Group's January 31, 2014, submission at Exhibit 14.

⁴⁰ See *id.*

⁴¹ See Petitioner's January 31, 2014, submission at Exhibits 7-16.

⁴² *Id.*, at Exhibit 1; Memorandum to the File through Scot Fullerton, Program Manager, Office V, from Julia Hancock and Jerry Huang, Case Analysts, Re: Certain Steel Threaded Rod from the People's Republic of China: Surrogate Values Memo (May 16, 2014) ("Preliminary Surrogate Values Memo").

Department finds that there is information on the record to value all of the FOPs from Thailand.⁴³

In contrast, with respect to the Philippines, the Philippine data for steel wire rod is overly broad and covers a wide range of steel wire rod based on carbon content that are not specific to the grade of low carbon steel used by respondents.⁴⁴ Additionally, the financial statements for the two Philippine companies, APO Industries and Sterling Steel, are also from 2011 and not contemporaneous with the POR.⁴⁵ While the Philippines provides information to value all of the FOPs, the Department does not find that the Philippines provided the best available information to value respondents' FOPs.

In sum, the Department finds that Thailand provides the best available information for surrogate valuation purposes for these preliminary results. The Department finds Thailand to be a reliable source for SVs because Thailand is at a comparable level of economic development pursuant to 773(c)(4) of the Act, is a significant producer of comparable merchandise, and has publicly available and reliable data. Given the above facts, the Department selects Thailand as the primary surrogate country for this review. A detailed explanation of the SVs is provided below in the "Normal Value" section of this notice.

Date of Sale

The RMB/IFI Group reported that the date of sale was determined by the invoice issued by the exporters to their unaffiliated United States customers. In this case, as the Department found no evidence contrary to the RMB/IFI Group's claim that invoice date was the appropriate date of sale, the Department used invoice date as the date of sale for these preliminary results in accordance with 19 CFR 351.401(i).⁴⁶

Fair Value Comparisons

To determine whether sales of steel threaded rod to the United States by the RMB/IFI Group were made at less than NV, the Department compared the export price ("EP") to NV, as described in the "U.S. Price," and "Normal Value" sections below.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or constructed export prices ("CEPs")) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis

⁴³ See Preliminary Surrogate Values Memo.

⁴⁴ See RMB/IFI Group's January 31, 2014, submission at Exhibit 23.

⁴⁵ *Id.*, at Exhibits 25 and 26.

⁴⁶ 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.

consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations.⁴⁷ In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.⁴⁸ The Department finds the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, 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 these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differ 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 here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer names. Regions are defined using the reported destination code (*i.e.*, city name, zip code, *etc.*) 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 POR 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 EP (or CEP) and NV 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 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

⁴⁷ See *Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012) and accompanying Issues and Decision Memorandum at Comment 1.

⁴⁸ 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; *Hardwood and Decorative Plywood From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (September 23, 2013) and accompanying Issues and Decision Memorandum at Comment 3.

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 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 accounts for 66 percent or more of the value of total sales, then the identified pattern of EPs 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 EPs 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 these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. *Results of the Differential Pricing Analysis*

For the RMB/IFI Group, based on the results of the differential pricing analysis, the Department finds that 58.60 percent of the RMB/IFI Group's export sales pass the Cohen's *d* test and

therefore confirm the existence of a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. However, when comparing the weighted-average dumping margins calculated using the average-to-average method for all U.S. sales with the margin calculated using the average-to-transaction method for those sales that pass the Cohen's *d* test, there is not a meaningful difference in the results (*e.g.*, relative margin change greater than or equal to 25%). Accordingly, the Department determines to use the average-to-average method in making comparisons of EP and NV for the RMB/IFI Group.⁴⁹

U.S. Price – Export Price

For the RMB/IFI Group's EP sales, we used the EP methodology, pursuant to section 772(a) of the Act, because the first sale to an unaffiliated purchaser was made prior to importation. Where appropriate, we made deductions from the starting price (gross unit price) for foreign movement expenses, foreign brokerage and handling, and international movement expenses, in accordance with section 772(c) of the Act.⁵⁰

On June 19, 2012, the Department announced a change of methodology regarding the calculation of EP and CEP to include an adjustment for the amount of any unrefunded value added tax ("VAT") in certain NMEs, in accordance with section 772(c)(2)(B) of the Act.⁵¹ Information placed on the record of this review demonstrates that the VAT rate during the POR was 17 percent, and that there was a VAT rebate rate of five percent applicable to exports of the merchandise under consideration.⁵² For these preliminary results, in order to calculate a price net of VAT, we adjusted the net price reported by the RMB/IFI Group for the unrefunded VAT.⁵³

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine the NV using an FOPs methodology if: (1) the merchandise is exported from an NME country; and (2) 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. When determining NV in an NME context, the Department will base NV on FOPs because the presence of government controls on various aspects of these economies renders price comparisons and the calculation of production costs invalid under our normal methodologies. 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)

⁴⁹ In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012). In particular, the Department compared monthly weighted-average EPs with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

⁵⁰ See Memorandum to the File through Scot Fullerton, Program Manager, Office V, from Julia Hancock and Jerry Huang, Case Analysts, Re: Fourth Administrative Review of Certain Steel Threaded Rod from the People's Republic of China: Analysis for the Preliminary Results of the RMB/IFI Group (May 16, 2014) ("RMB/IFI Group Analysis Memo").

⁵¹ See *Methodological Change for Implementation of Section 772(c)(2)(B) of the Tariff Act of 1930, as Amended, in Certain Non-Market Economy Antidumping Proceedings*, 77 FR 36481 (June 19, 2012).

⁵² See RMB/IFI Group's January 9, 2014 submission at Exhibit C-6.

⁵³ See RMB/IFI Group Analysis Memo.

amounts of energy and other utilities consumed; and (4) representative capital costs. The Department based NV on FOPs reported by the RMB/IFI Group for materials and labor.

Factor Valuations

In accordance with section 773(c) of the Act, for subject merchandise produced by the RMB/IFI Group, the Department calculated NV based on the FOPs reported by the RMB/IFI Group for the POR. The Department used Thai import data and other publicly available Thai sources in order to calculate SVs for the RMB/IFI Group's FOPs. To calculate NV, 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.⁵⁴

As appropriate, the Department adjusted input prices by including freight costs to render them delivered prices. Specifically, the Department added to Thai import SVs the reported 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 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 India, Indonesia, and South Korea may have been subsidized because we found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies.⁵⁵ Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.⁵⁶ 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.⁵⁷

⁵⁴ 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 Issues and Decision Memorandum at Comment 2.

⁵⁵ 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; *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Results of Expedited Sunset Review*, 70 FR 45692 (August 8, 2005) and accompanying Issues and Decision Memorandum 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 Issues and Decision Memorandum at 17, 19-20.

⁵⁶ 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 Issues and Decision Memorandum at Comment 7.

⁵⁷ 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).

Rather, the Department bases its decision on information that is available to it at 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.⁵⁸ Therefore, we have not used prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

The Department used Thai Import Statistics from the Global Trade Atlas to value the raw material, packing material and energy inputs that the RMB/IFI Group used to produce subject merchandise during the POR, as well as the byproduct the RMB/IFI Group produced, except where listed below.⁵⁹

The Department valued water using data from Thailand’s Board of Investment.⁶⁰ This source provides water rates for industrial users that are exclusive of value added taxes. We valued electricity using data from Electricity Generating Authority of Thailand Annual Report 2012.⁶¹

We valued brokerage and handling using a price list of export procedures necessary to export a standardized cargo of goods in Thailand. The price list is compiled based on a survey case study of the procedural requirements for trading a standard shipment of goods by ocean transport in Thailand that is published in *Doing Business 2012: Thailand* by the World Bank.⁶² We used Thai transport information in order to value the freight-in cost of the raw materials. The Department determined the best available information for valuing truck freight to be from *Doing Business 2012: Thailand*.⁶³ This World Bank report gathers information concerning the distance and cost to transport products in a 20-foot container from the largest city in Thailand to the nearest seaport. We calculated the per-unit inland freight costs using the distance from Thailand’s largest city, Bangkok, to the nearest seaport. The inland freight costs in the World Bank report are for shipping a 20-foot container. To value marine insurance, the Department used rates from P.A.F Shipping Insurance. These rates are basic coverage rates for international shipments.

In *Labor Methodologies*,⁶⁴ the Department determined that the best methodology to value the labor input is to use industry-specific labor rates from the primary surrogate country. Additionally, the Department determined that the best data source for industry-specific labor rates is Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization (ILO) Yearbook of Labor Statistics. In these preliminary results, the Department calculated the

⁵⁸ 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).

⁵⁹ See Preliminary Surrogate Values Memo.

⁶⁰ *Id.* at Exhibit 5.

⁶¹ *Id.* at Exhibit 11.

⁶² *Id.* at Exhibit 8.

⁶³ *Id.* at Exhibit 7.

⁶⁴ See *Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) (“*Labor Methodologies*”).

labor input using total manufacturing POR-specific data from 2012 and 2013 published by Thailand's National Statistics Office (the "2012-2013 NSO data").⁶⁵ Although the 2012-2013 NSO data are not from the ILO, the Department finds that this does not preclude us from using this as a source for valuing labor. In *Labor Methodologies*, the Department decided to change to the use of ILO Chapter 6A data from the use of ILO Chapter 5B data, on the rebuttable presumption that Chapter 6A data better account for all direct and indirect labor costs.⁶⁶ The Department did not, however, preclude all other sources for evaluating labor costs in NME antidumping proceedings. Rather, we continue to follow our practice of selecting the "best information available" to determine SVs for inputs such as labor. Thus, we find that the 2012-2013 NSO data are the best available information for valuing labor for this segment of the proceeding. Specifically, the 2012-2013 NSO data is significantly more contemporaneous than the ILO Chapter 6A from Thailand, which is from 2000.⁶⁷ As stated above, the Department used Thailand data reported under the 2012-2013 NSO data, which reflects all costs related to labor, including wages, benefits, housing, training, *etc.* Thus, the Department finds that 2012-2013 NSO data represents a fully-loaded labor cost.⁶⁸ Additionally, where the financial statements used to calculate the surrogate financial ratios include itemized detail of labor costs, the Department made adjustments to certain labor costs in the surrogate financial ratios.⁶⁹

To value factory overhead, selling, general, and administrative expenses, and profit, the Department used the simple average of the financial statements of LS Industries and Hitech, which both are producers of comparable merchandise.

Currency Conversion

Where necessary, the Department 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.

⁶⁵ See Preliminary Surrogate Values Memo.

⁶⁶ See *Labor Methodologies*, 76 FR at 36093.

⁶⁷ See <http://laborsta.ilo.org/>

⁶⁸ See *Labor Methodologies*, 76 FR at 36092.

⁶⁹ *Id.*, 76 FR at 36093-94.

Conclusion

We recommend applying the above methodology for these preliminary results.

Agree

Disagree

Ronald K. Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

May 16, 2014

(Date)