



A-570-920
Section 129 Determination (WTO DS449)
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June 26, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Section 129 Proceeding (WTO DS449): Antidumping Duty
Investigation of Lightweight Thermal Paper from the People's
Republic of China – Final Determination

SUMMARY

Consistent with section 129 of the Uruguay Round Agreements Act (URAA), which governs the actions of the Department of Commerce (the Department) following adverse World Trade Organization (WTO) dispute settlement findings, and pursuant to a request from the Office of the U.S. Trade Representative, the Department is revising certain aspects of the final determinations in the countervailing duty (CVD) and antidumping duty (AD) proceedings examined in *United States — Countervailing and Anti-dumping Measures on Certain Products from China*, (WT/DS449), including the AD investigation of lightweight thermal paper (LWTP) from the People's Republic of China (PRC).

We are revising the analysis underlying these determinations in accordance with findings in the relevant reports adopted by the WTO Dispute Settlement Body (DSB). Specifically, the DSB found that the Department acted inconsistently with the obligations of the United States under Article 19.3 of the Subsidies and Countervailing Measures Agreement (SCM Agreement) and, consequently, under Articles 10 and 32.1 of the SCM Agreement. This was due to the Department's imposition of ADs calculated on the basis of the methodology for nonmarket economy (NME) countries prescribed by section 773(c) of the Tariff Act of 1930, as amended (the Act), concurrently with the imposition of CVDs upon the same products without having assessed whether "double remedies," (*i.e.*, the offsetting of the same subsidy twice) arose from such concurrent duties. This finding is relevant to the dumping rates originally calculated in the investigation.

On January 28, 2015, the Department initiated a section 129 proceeding concerning the LWTP AD investigation and subsequently sent questionnaires concerning the issue of double remedies. No party responded to the Department's request for information. On April 15, 2015,



the Department issued the Preliminary Determination and provided interested parties an opportunity to comment.¹ No party commented on the Preliminary Determination.

For the reasons discussed below, we did not make any changes to the Preliminary Determination. Specifically, because no party responded to the Department's request for information in this section 129 proceeding, we determine that, without the requested information, there is no basis for making an adjustment for potential overlapping remedies under Section 777A(f)(1)(B) of the Act.

In accordance with section 129(b)(4) of the URAA, the U.S. Trade Representative may, after consulting with the Department and Congress, direct the Department to implement this determination, in whole or in part.

BACKGROUND

On October 2, 2008, the Department published concurrent final affirmative AD and CVD determinations in the investigations of LWTP from the PRC.² In those determinations, the Department made no adjustment to account for potential "double remedies" ostensibly caused by the imposition of CVDs concurrently with ADs calculated under the NME methodology. Following an affirmative injury determination by the U.S. International Trade Commission (ITC), the Department published AD and CVD orders on LWTP from the PRC on November 24, 2008.³

WTO Panel Report and Appellate Body Report

Subsequent to the final determinations on LWTP from the PRC AD and CVD investigations, the Government of the PRC (GOC) requested the establishment of a WTO dispute settlement panel (the Panel) to address, among other issues, the United States' WTO obligations with respect to the possibility of double remedies in several sets of AD and CVD investigations, including the LWTP AD and CVD investigations (DS449 dispute). The Panel circulated its report on March 27, 2014.⁴

¹ See Memorandum from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Paul Piquado, Assistant Secretary for Enforcement and Compliance, "Section 129 Proceeding (WTO DS449): Antidumping Duty Investigation of Lightweight Thermal Paper from the People's Republic of China – Decision Memorandum for Preliminary Determination," (April 15, 2015) (Preliminary Determination).

² See *Lightweight Thermal Paper From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 57329 (October 2, 2008), and accompanying Issues and Decision Memorandum (LWTP AD IDM); *Lightweight Thermal Paper From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 57323 (October 2, 2008), and accompanying Issues and Decision Memorandum (LWTP CVD IDM). See also *Lightweight Thermal Paper from the People's Republic of China: Notice of Amended Final Affirmative Countervailing Duty Determination and Notice of Countervailing Duty Order*, 73 FR 70958 (November 24, 2008) (CVD Order).

³ See *CVD Order*. See also *Antidumping Duty Orders: Lightweight Thermal Paper From Germany and the People's Republic of China*, 73 FR 70959 (November 24, 2008).

⁴ *United States — Countervailing and Anti-dumping Measures on Certain Products from China*, WT/DS449/R (March 27, 2014) (Panel Report).

On the issue of double remedies, the Panel followed the findings of the WTO Appellate Body (the Appellate Body) in *United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China*, WT/DS379/AB/R (March 11, 2011) (DS379 WTO AB Report). The Panel stated that the United States had not presented “cogent reasons” to depart from the Appellate Body’s prior interpretation of Article 19.3 of the SCM Agreement. Specifically, the Panel found that an investigating authority has an “affirmative obligation” to determine whether the concurrent imposition of CVDs and ADs calculated under an NME methodology may result in double remedies.⁵ By virtue of the Department not affirmatively undertaking this inquiry in the sets of investigations at issue in the DS449 dispute, the Panel concluded, based on the reasoning of the DS379 WTO AB Report, that the United States had acted inconsistently with its obligations under Article 19.3, and by consequence, Articles 10 and 32.1 of the SCM Agreement.⁶

On April 17, 2014, the United States appealed certain procedural aspects of the Panel’s findings with respect to the issue of double remedies to the Appellate Body.⁷ The Appellate Body issued its report on July 7, 2014.⁸ In its report, the Appellate Body upheld the Panel’s findings on the procedural ruling that China had presented a “brief summary of the legal basis of the complaint sufficient to present the problem clearly” in its initial request for the establishment of a panel in the DS449 dispute.⁹ On July 22, 2014, the DSB adopted the Appellate Body Report and the Panel Report, as modified by the Appellate Body Report.¹⁰

On August 21, 2014, the United States announced to the DSB that it intended to implement the DSB’s recommendations and rulings in this dispute. The United States also stated that it would need a reasonable period of time to do so.¹¹

On January 13, 2015, pursuant to section 129(b) of the URAA, the U.S. Trade Representative requested that the Department issue determinations that would render the Department’s actions in the affected proceedings, including the LWTP from the PRC investigation, not inconsistent with the recommendations and rulings of the DSB. Further, the U.S. Trade Representative also notified the Department that the GOC had agreed to a reasonable period of time for implementation of the DSB’s recommendations and rulings of twelve months from the date of the DSB’s adoption of the Panel Report and Appellate Body Report.

⁵ *Id.* at para. 7.342.

⁶ *Id.* at para. 7.392-7.395.

⁷ *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, “Notification of an Other Appeal by the United States,” WT/DS449/7 (April 17, 2014). The United States did not appeal the Panel’s findings with respect to the United States’ obligations under Article 19.3, and consequently, Articles 10 and 32.1 of the SCM Agreement.

⁸ *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, WT/DS449/AB/R (July 7, 2014) (Appellate Body Report).

⁹ *Id.* at para. 4.52.

¹⁰ *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, “Action by the Dispute Settlement Body,” WT/DS449/10 (July 22, 2014).

¹¹ *United States – Countervailing and Anti-dumping Measures on Certain Products from China*, “Communication from the United States,” WT/DS449/11 (August 21, 2014).

Governing Provisions

Section 129 of the URAA is the applicable provision governing the nature and effect of determinations issued by the Department to implement adverse findings by WTO panels and the Appellate Body. Specifically, section 129(b)(2) of the URAA provides that notwithstanding any provision of the Act, upon written request from the U.S. Trade Representative, the Department shall issue a determination that would render its actions not inconsistent with an adverse finding of a WTO panel or the Appellate Body. The *Statement of Administrative Action*¹² variously refers to such a determination by the Department as a “new,” “second,” and “different” determination.¹³ This determination is subject to judicial review separate and apart from judicial review of the Department’s original determination.¹⁴

In addition, section 129(c)(1)(B) of the URAA expressly provides that a determination under section 129 applies only with respect to unliquidated entries of merchandise entered, or withdrawn from warehouse, for consumption on or after the date on which the U.S. Trade Representative directs the Department to implement that determination. In other words, as the SAA clearly provides, “such determinations have prospective effect only.”¹⁵ Thus, “relief available under subsection 129(c)(1) is distinguishable from relief in an action brought before a court or a NAFTA binational panel, where . . . retroactive relief may be available.”¹⁶

On March 13, 2012, the President signed into law Public Law 112-99, “To apply the countervailing duty provisions of the Tariff Act of 1930 to nonmarket economy countries, and for other purposes.” Public Law 112-99, codified at section 777A(f) of the Act, amended the Act to provide for an adjustment to ADs imposed upon imports from NME countries that are also subject to CVDs to account for AD and CVD remedies demonstrated to overlap, among other purposes.¹⁷ The provision applies, subject to subsection (c) of section 129 of the URAA, to “all determinations issued under subsection (b)(2) of that section on or after the date of the enactment of this Act,” which includes this preliminary determination.¹⁸

Section 129 Proceedings

On January 28, 2015, the Department initiated a section 129 proceeding concerning the LWTP AD investigation.¹⁹ Subsequently, the Department sent questionnaires to Shanghai Hanhong Paper Co., Ltd (Hanhong) and Guangdong Guanhao High-Tech Co., Ltd. (Guanhao),

¹² H. Doc. 316, Vol. 1, 103d Cong. (1994) (SAA).

¹³ See SAA at 1025, 1027.

¹⁴ See 19 USC § 1516a(a)(2)(B)(vii).

¹⁵ SAA at 1026.

¹⁶ *Id.*

¹⁷ See section 777A(f) of the Act; Pub. L. No. 112-99, 126 Stat. 266 (2012).

¹⁸ See Pub. L. No. 112-99, 126 Stat. 266-267 (2012).

¹⁹ See Letter to Interested Parties from Eric Greynolds, Program Manager, dated January 28, 2015.

the mandatory respondents in the underlying investigation, concerning the issue of double remedies on February 10, 2015.²⁰ Neither party responded to the questionnaire.

On April 15, 2015, the Department issued the Preliminary Determination and provided interested parties an opportunity to comment.²¹ No party commented on the Preliminary Determination.

ANALYSIS

In applying section 777A(f) of the Act, the Department examines (1) whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class or kind of merchandise, (2) whether such countervailable subsidy has been demonstrated to have reduced the average price of imports of the class or kind of merchandise during the relevant period, and (3) whether the Department can reasonably estimate the extent to which that countervailable subsidy, in combination with the use of NV determined pursuant to section 773(c) of the Act, has increased the weighted-average dumping margin for the class or kind of merchandise.²² For a subsidy meeting these criteria, the statute requires the Department to reduce the AD by the estimated amount of the increase in the weighted-average dumping margin subject to a specified cap.²³ In conducting this analysis, the Department has not concluded that concurrent application of NME ADs and CVDs necessarily and automatically results in overlapping remedies. Rather, a finding that there is an overlap in remedies, and any resulting adjustment, is based on a case-by-case analysis of the totality of facts on the administrative record for that segment of the proceeding as required by the statute.

Further, the Department has determined that it could obtain specific data for purposes of an analysis under 777A(f)(1) by requesting information from the respondents to the proceeding selected for individual examination.²⁴ The Department has determined that direct evidence from individual respondents regarding subsidies and costs is preferable for meeting the statutory requirements under Section 777A(f)(1)(A) and (C) of the Act. Such data also contributes to the Department's analysis of the statutory requirements of Section 777A(f)(1)(B). As such, for this Section 129 proceeding, the Department requested company-specific information from Hanhong and Guan hao. However, neither Hanhong nor Guan hao responded to the DR Questionnaire.

The Department determined for purposes of this proceeding that whether the statutory requirements for a double remedies adjustment are met is best assessed on the basis of direct evidence and information from the respondents, including information on subsidies and the cost

²⁰ See Letter to Shanghai Hanhong Paper Co., Ltd., "Section 129 Determination (WTO DS449): Antidumping Duty Investigation of Lightweight Thermal Paper from the People's Republic of China – Domestic Subsidies Questionnaire," dated February 10, 2015; Letter to Guangdong Guan hao High-Tech Co., Ltd., "Section 129 Determination (WTO DS449): Antidumping Duty Investigation of Lightweight Thermal Paper from the People's Republic of China – Domestic Subsidies Questionnaire," dated February 10, 2015 (collectively, DR Questionnaires).

²¹ See Preliminary Determination.

²² See section 777A(f)(1)(A)-(C) of the Act.

²³ See section 777A(f)(1)-(2) of the Act.

²⁴ See, e.g., *Certain Crystalline Silicon Photovoltaic Products from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 79 FR 76970 (December 23, 2014) (*CSPV Products from the PRC*), and accompanying Issues and Decision Memorandum at Comment 18.

and export/import prices of the subject merchandise. However, neither respondent provided such information or data.

As such, the Department finds that, based on the lack of evidence on the record, the statutory requirements for permitting an adjustment for a potential overlapping remedy between the AD and CVD orders on LWTP imports have not been met.

The PRC-Wide Entity

To calculate the extent of the domestic subsidy pass-through for the PRC-wide entity, the Department's current practice is to adjust the margin using the domestic subsidy pass-through calculated during this proceeding, subject to section 777A(f)(2) of the Act.²⁵ However, in this case and as previously stated, Hanhong and Guanhao did not meet the statutory requirements for making an adjustment for potential overlapping remedies under Section 777A(f) of the Act. Therefore, the Department finds no basis for an adjustment to the PRC-wide entity margin under Section 777A(f) of the Act.

CONCLUSION

To grant an adjustment under Section 777A(f) of the Act, the statute requires, in part, a demonstration of a reduction in the average price of imports, for which the Department examines the links between the countervailed subsidy programs and the impact on the respondent's costs.²⁶ Without the requested information from respondents, the Department has determined that such a demonstration has not been made at the LWTP industry-specific level. As a result, we find that there is no basis for making an adjustment to the AD rates under Section 777A(f)(1)(B) of the Act. As such, the Department is not making adjustments pursuant to section 777A(f) of the Act to the AD cash deposit rates from the original investigation.

FINAL DETERMINATION

As a result of this determination, we determined that the following antidumping duty margins apply. In accordance with sections 129(b)(4) and 129(c)(1)(B) of the URAA, if the U.S. Trade Representative, after consulting with the Department and Congress, directs the Department to implement, in whole or in part, this determination, the following margins will serve as the prospective basis for cash deposit rates effective as of the date of implementation under section 129(b)(4) of the URAA, unless superseded by an intervening administrative review.

²⁵ See *Aluminum Extrusions From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Rescission, in Part*; 2012/2013, 79 FR 36003 (June 25, 2014) and accompanying Preliminary Decision Memorandum at 35-36.

²⁶ See, e.g., *CSPV Products from the PRC* Issues and Decision Memorandum at Comment 18.

Exporter	Producer	Original Margin from the Final	Weighted-average margin ²⁷
Shanghai Hanhong Paper Co., Ltd, also known as Hanhong International Limited	Shanghai Hanhong Paper Co., Ltd.	115.29	115.29
Guangdong Guan hao High-Tech Co., Ltd.	Guangdong Guan hao High-Tech Co., Ltd.	19.77	19.64
PRC-wide Entity		115.29	115.29

RECOMMENDATION

In light of the findings of the Panel and Appellate Body and based on our analysis, we recommend adopting the above positions, which will render our determination not inconsistent with the recommendations and rulings of the DSB.

Agree Disagree


 Paul Piquado
 Assistant Secretary
 for Enforcement and Compliance

26 JUNE 2015
 (Date)

²⁷ Consistent with our practice, where the product was also subject to a concurrent countervailing duty proceeding, the weighted-average margins listed here reflect a deduction for the countervailing duty determined to constitute an export subsidy.