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July 16, 2014

MEMORANDUM TO: Paul Piquado
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 the
Antidumping Duty Administrative Review and New Shipper
Review: Tapered Roller Bearings and Parts Thereof, Finished and
Unfinished, from the People's Republic of China

SUMMARY

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review and a new shipper review (NSR) of the antidumping duty (AD) order on tapered roller bearings and parts thereof, finished and unfinished (TRBs), from the People's Republic of China (PRC) for the period of review (POR) June 1, 2012, through May 31, 2013. We have preliminarily found that sales of the subject merchandise have been made 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 AD 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 15, 1987, the Department published in the Federal Register the antidumping duty order on TRBs from the PRC.¹ On June 3, 2013, the Department published in the Federal Register a notice of opportunity to request an administrative review of the AD order on TRBs from the PRC

¹ See Notice of Antidumping Duty Order: Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from the People's Republic of China, 52 FR 22667 (June 15, 1987).



for the period of June 1, 2012, through May 31, 2013.² In response to timely requests from interested parties pursuant to 19 CFR 351.213(b)(1) and (2) to conduct an administrative review of the order on TRBs from the PRC, on August 1, 2013, the Department published a notice of initiation of administrative review with respect to four companies.³ In the Initiation Notice, the Department indicated that, in the event that we limit the number of respondents selected for individual examination in accordance with section 777A(c)(2) of the Act, we would select mandatory respondents for individual examination based upon CBP entry data.⁴

On July 30, 2013, the Department published in the Federal Register a notice of initiation of an NSR with respect to Shanghai Tainai Bearing Co., Ltd. (Tainai),⁵ and in August 2013, we issued the non-market economy (NME) AD questionnaire to it. In August, we received comments on the issue of respondent selection from CPZ/SKF.

In September, Tainai submitted responses to sections A, C, and D of the questionnaire (*i.e.*, the sections related to the general information, U.S. sales, and factors of production (FOPs), respectively), and the Department aligned the NSR with the administrative review.⁶ In September, we also received a separate rate certification from CPZ/SKF and a separate rate application from Zhaofeng, as well as a letter dated September 20, 2013, from Xiangyang withdrawing its request for review.⁷

On September 18, 2013, after considering the large number of potential respondents involved in this administrative review, and the resources available to the Department, we determined that it was not practicable to examine all exporters of subject merchandise for which a review was requested. As a result, pursuant to section 777A(c)(2)(B) of the Act, we determined that we could reasonably individually examine only one exporter accounting for the largest volume of TRBs from the PRC during the POR (*i.e.*, CPZ/SKF).⁸ Accordingly, we issued the NME AD questionnaire to CPZ/SKF. CPZ/SKF provided its responses to section A of the questionnaire on October 25, 2013, and to C and D on November 26, 2013.

² See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review, 78 FR 33061 (June 3, 2013).

³ See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part, 78 FR 46566 (August 1, 2013) (Initiation Notice). The four companies listed in the Initiation Notice are: (1) Changshan Peer Bearing Co., Ltd. (CPZ/SKF); (2) GGB Bearing Technology (Suzhou) Co., Ltd. (GGB); (3) Xiangyang Automobile Bearing Co., Ltd. (Xiangyang); and (4) Zhejiang Zhaofeng Mechanical and Electronic Co., Ltd. (Zhaofeng).

⁴ See Initiation Notice, 78 FR at 46566.

⁵ See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Initiation of Antidumping Duty New Shipper Review, 78 FR 45912 (July 30, 2013).

⁶ See the September 6, 2013, Memorandum to the File, entitled "Alignment of New Shipper Review with 26th Administrative Review of Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China."

⁷ See Xiangyang's September 20, 2013, letter "Withdrawal of Administrative Review Request in the Antidumping Duty Order on Tapered Roller Bearings from the People's Republic of China (POR 6/1/12-5/31/13)."

⁸ See the September 18, 2013, Memorandum to the File entitled "Selection of Respondents for Individual Review of Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China."

In November 2013, GGB withdrew its request for review.⁹ Based on the timely withdrawal of the requests for review and because Xiangyang and GGB established their entitlement to separate rates from a prior segment, the Department is rescinding this administrative review with respect to Xiangyang and GGB, in accordance with 19 CR 351.213(d)(1).

In January 2014, we received surrogate value (SV) and rebuttal comments from the petitioner,¹⁰ CPZ/SKF, and Tainai. From February through June 2014, we issued supplemental questionnaires to the respondents. We received responses to these questionnaires in March and June 2014.

Scope of the Order

Imports covered by the order are shipments of tapered roller bearings and parts thereof, finished and unfinished, from the PRC; flange, take up cartridge, and hanger units incorporating tapered roller bearings; and tapered roller housings (except pillow blocks) incorporating tapered rollers, with or without spindles, whether or not for automotive use. These products are currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) item numbers 8482.20.00, 8482.91.00.50, 8482.99.15, 8482.99.45, 8483.20.40, 8483.20.80, 8483.30.80, 8483.90.20, 8483.90.30, 8483.90.80, 8708.70.6060, 8708.99.2300, 8708.99.4850, 8708.99.6890, 8708.99.8115, and 8708.99.8180. Although the HTSUS item numbers are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.

Bona Fides Analysis

Consistent with the Department's practice, we examined the bona fides of the sale under review in the NSR.¹¹ Evaluating whether a sale in an NSR is commercially reasonable or typical of normal business practices and, therefore, bona fide, the Department considers, inter alia, such factors as (a) the timing of the sale, (b) the price and quantity, (c) the expenses arising from the transaction, (d) whether the goods were resold at a profit, and, (e) whether the transaction was made on an arm's-length basis.¹² Accordingly, the Department considers a number of factors in its bona fides analysis, "all of which may speak to the commercial realities surrounding an alleged sale of subject merchandise."¹³ In TTPC, the Court of International Trade (CIT) also

⁹ See GGB's November 13, 2013, letter "Withdrawal of Administrative Review Request in the Antidumping Duty Order on Tapered Roller Bearings from the People's Republic of China (POR 6/1/12-5/31/13)."

¹⁰ The petitioner is the Timken Company.

¹¹ See, e.g., Honey from the People's Republic of China: Rescission and Final Results of Antidumping Duty New Shipper Reviews, 71 FR 58579 (October 4, 2006) and accompanying Issues and Decision Memorandum at Comment 1b.

¹² See Tianjin Tiancheng Pharmaceutical Co., Ltd. v. United States, 366 F. Supp. 2d 1246, 1249-1250 (CIT 2005) (TTPC).

¹³ See Hebei New Donghua Amino Acid Co., Ltd. v. United States, 374 F. Supp. 2d 1333, 1342 (CIT 2005) (New Donghua) (citing Fresh Garlic from the People's Republic of China: Final Results of Antidumping Administrative Review and Rescission of New Shipper Review, 67 FR 11283 (March 13, 2002), and accompanying Issues and Decision Memorandum: New Shipper Review of Clipper Manufacturing Ltd.).

affirmed the Department's decision that any factor which indicates that the sale under consideration is not likely to be typical of those which the producer will make in the future is relevant,¹⁴ and found that the weight given to each factor investigated will depend on the circumstances surrounding the sale.¹⁵ Finally, in New Donghua, the CIT affirmed the Department's practice of evaluating the circumstances surrounding an NSR sale, so that a respondent does not unfairly benefit from an atypical sale and obtain a lower dumping margin than the producer's usual commercial practice would dictate.¹⁶ Where the Department finds that a sale is not bona fide, the Department will exclude the sale from its dumping margin calculations.¹⁷

We find that the sale by Tainai was made on a bona fide basis. Based on our investigation into the bona fide nature of the sale, the questionnaire responses submitted by Tainai, and Tainai's eligibility for a separate rate (see the "Separate Rates" section of this memorandum, below), we preliminarily determine that Tainai meets the requirements to qualify as a new shipper during this POR. Because much of the factual information used in our analysis of the bona fides of this respondent's transaction involves business proprietary information, the full discussion of the basis for our preliminary finding that the sale is bona fide is set forth in the bona fides memorandum.¹⁸

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

Pursuant to 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. Accordingly, we calculated NV in accordance with section 773(c) of the Act, which applies to NME countries.

Separate Rates

In NME proceedings, there is a rebuttable presumption that companies are subject to government control and, thus, should be assessed a single antidumping duty rate.¹⁹ 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.²⁰ It is the Department's policy to assign

¹⁴ See TTPC, 366 F. Supp. 2d at 1250.

¹⁵ Id. at 1263.

¹⁶ See New Donghua, 374 F. Supp. 2d at 1344.

¹⁷ See TTPC, 366 F. Supp. 2d at 1249.

¹⁸ See the July 16, 2014, memorandum from Alan Ray, Analyst, to the file, entitled "Analysis of Shanghai Tainai Bearing Co., Ltd.'s Bona Fides as a New Shipper."

¹⁹ 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).

²⁰ See Initiation Notice, 78 FR at 46567.

exporters of the subject merchandise from an NME country 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,²¹ as amplified by Silicon Carbide.²² However, if the Department determines that a company is wholly foreign-owned, then consideration of the de jure and de facto criteria is not necessary to determine whether it is independent from government control.²³

In this review, in addition to CPZ/SKF and Tainai, one other entity, Zhaofeng, submitted a separate rate application.

Separate Rate Respondents

1) Wholly Foreign-Owned Company

CPZ/SKF submitted information indicating that it is a wholly foreign-owned company.²⁴ Therefore, there is no PRC ownership of CPZ/SKF. Because the Department has no evidence indicating that CPZ/SKF is under the control of the PRC, consideration of the de jure and de facto criteria is not necessary.²⁵ Accordingly, the Department preliminarily granted separate rate status to CPZ/SKF.

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

Zhaofeng stated that it is a joint venture between a non-PRC- and a PRC-owned company, while Tainai stated it is a wholly Chinese-owned company. In accordance with our practice, the Department has analyzed whether these respondents have demonstrated the absence of de jure and de facto governmental control over their respective export activities.

²¹ 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).

²² 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).

²³ 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).

²⁴ See CPZ/SKF's Separate Rate Application, dated September 30, 2013.

²⁵ See, e.g., Wax Candles from the PRC, 72 FR at 52356; 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); and 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).

a) *Absence of De Jure Control*

The Department considers the following de jure criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies.²⁶

The evidence provided by Tainai and Zhaofeng supports a preliminary finding of an absence of de jure government control based on the following: (1) there is an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) there are applicable legislative enactments decentralizing control of the companies;²⁷ and (3) there are formal measures by the government decentralizing control of the companies.²⁸

b) *Absence of De Facto Control*

Typically the Department considers four factors in evaluating whether each respondent is subject to de facto government control of its export functions: (1) whether the export prices are set by or are subject to the approval of a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses.²⁹

The Department has determined that an analysis of de facto control is critical in determining whether the respondents are, in fact, subject to a degree of government control over export activities which would preclude the Department from assigning separate rates. For Tainai and Zhaofeng, 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 for each respondent: (1) the respondent sets its own export prices independent of the government and without the approval of a government authority;³⁰ (2) the respondent retains the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses;³¹ (3) the respondent has the

²⁶ See Sparklers, 56 FR at 20589.

²⁷ See Tainai's September 3, 2013, response to section A of the questionnaire at 2-20; see also Zhaofeng's September 23, 2013, separate rate application.

²⁸ Id.

²⁹ 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).

³⁰ See Tainai's September 3, 2013, response to section A of the questionnaire at 2-20; see also Zhaofeng's September 23, 2013, separate rate application.

³¹ Id.

authority to negotiate and sign contracts and other agreements;³² and (4) the respondent has autonomy from the government regarding the selection of management.³³

The evidence placed on the record of this review by Tainai and Zhaofeng demonstrates an absence of de jure and de facto government control with respect the companies' exports of the merchandise under review, in accordance with the criteria identified in Sparklers and Silicon Carbide.³⁴ Therefore, we are preliminarily granting Tainai and Zhaofeng separate rates.

Separate Rate for Non-Selected Companies

In accordance with section 777A(c)(2)(B) of the Act, the Department employed a limited examination methodology, as it was not practical to examine all companies for which an administrative review was initiated. We selected CPZ/SKF as the sole mandatory respondent for this review. As discussed above, Zhaofeng is an exporter of subject merchandise that has demonstrated its eligibility for a separate rate, but was not selected for individual examination in this review.

The statute and the Department's regulations do not directly address the establishment of a rate to be applied to individual companies not selected for individual examination where the Department limited its examination in an administrative review pursuant to section 777A(c)(2) of the Act. The Department's practice in cases involving limiting respondent selection based on exporters accounting for the largest volumes of trade has been to look at section 735(c)(5) of the Act for guidance, which provides instructions for calculating the all-others rate in investigations. Section 735(c)(5)(B) of the Act provides that "the estimated all-others rate shall be an amount equal to the weighted average of the estimated weighted-average dumping margins established for exporters and producers individually investigated, excluding any zero and de minimis margins, and any margins determined entirely under" section 776 of the Act. The statute further provides that, where all rates are zero rates, de minimis rates, or rates based entirely on facts available, the Department may use "any reasonable method" for assigning the rate to non-selected respondents.

In this instance, the only individually-examined company is CPZ/SKF, which has a rate that is not zero, de minimis, or based entirely on facts available. Accordingly, for the preliminary results, consistent with the Department's practice,³⁵ the Department preliminarily determined that the weighted-average dumping margin to be assigned to Zhaofeng, the separate rate respondent not individually examined, should be the weighted-average dumping margin calculated for the mandatory respondent, CPZ/SKF.

³² Id.

³³ Id.

³⁴ See Tainai's and Zhaofeng's separate rate applications.

³⁵ See, e.g., TRBs AR 25 Final, 79 FR at 4328.

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 FOPs, valued in a surrogate market economy (ME) country or countries considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department shall utilize, to the extent possible, the prices or costs of FOPs in one or more ME countries that are: (1) at a level of economic development comparable to that of the NME country; and (2) significant producers of comparable merchandise.³⁶ The Department determined that Columbia, Costa Rica, Indonesia, Philippines, South Africa, and Thailand are countries at the same level of economic development as the PRC, based on per capita gross national economic income.³⁷ The sources of the SVs we have used in these reviews are discussed under the "Normal Value" section below.

With respect to the Department's selection of a surrogate country, both the petitioner and CPZ/SKF argue that Thailand is the most appropriate surrogate country from which to derive SVs for the PRC. Tainai did not submit comments regarding the selection of a surrogate country.

The Department preliminarily selected Thailand as the surrogate country on the grounds that: (1) it is the same level of economic development as the PRC; (2) it is a significant producer of comparable merchandise; and (3) we have reliable data from Thailand that we can use to value the FOPs.³⁸ Specifically, regarding significant production, UN Comtrade data for exports demonstrate that Thailand exported a significant volume of comparable merchandise in recent years.³⁹ With respect to reliable data to value FOPs, the record contains Global Trade Atlas (GTA) data from Thailand for each of the inputs. GTA data are country-wide, published data, which the Department frequently uses to value FOPs. Accordingly, we have calculated NV using Thai SVs when available and appropriate to value the respondents' FOPs.

Date of Sale

CPZ/SKF and Tainai reported that the date of sale was determined by the invoice issued to their unaffiliated U.S. customers.⁴⁰ In this case, because the Department found no evidence contrary

³⁶ See Import Administration Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004).

³⁷ See the December 19, 2013, memorandum from Carole Showers, Director, Office of Policy, to Shawn Thompson, Program Manager, Office II, entitled "Request for a List of Surrogate Countries for a New Shipper Review and an Administrative Review of the Antidumping Duty Order on Tapered Roller Bearings and Parts Thereof, Finished and Unfinished ('TRBs') from the People's Republic of China ('China')."

³⁸ See the July 26, 2014, memorandum to File, Office II, from Alan Ray, Senior Case Analyst, entitled "Surrogate Value Memorandum;" see also the "Factor Valuations" section of this memorandum, below.

³⁹ See CPZ/SKF's January 3, 2014, submission "Tapered Roller Bearings and Parts Thereof from The People's Republic of China: Surrogate Country Comments" at Appendix 1.

⁴⁰ See CPZ/SKF's October 25, 2013, section A questionnaire response at 23; see also Tainai's September 3, 2013, section A questionnaire response at 20.

to the respondents' claims 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).⁴¹

Normal Value Comparisons

To determine whether sales of the subject merchandise made by CPZ/SKF and Tainai to the United States were at prices below NV, we compared each company's export price (EP) or constructed export price (CEP), where appropriate, to NV, as described below.

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 CEPs) (the average-to-average method), unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not 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 analogous to the issue in antidumping duty investigations.⁴² In recent investigations, pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act, the Department has applied a "differential pricing" analysis to determine whether application of average-to-transaction comparisons is appropriate in a particular situation.⁴³ The Department finds that 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.⁴⁴ The Department will continue to develop its approach in this area based on comments received in this and other proceedings, as well as 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.

⁴¹ 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.

⁴² 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.

⁴³ 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 the accompanying Issues and Decision Memorandum at Comment 3; and 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 the accompanying Issues and Decision Memorandum at Comment 3.

⁴⁴ See, e.g., Certain Activated Carbon From the People's Republic of China: Final results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 70533 (November 26, 2013), and accompanying Issues & Decision Memorandum at comment 2.

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 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 consolidated customer codes. Regions are defined using the reported destination 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 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* coefficient is calculated 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 used 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 passed the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large threshold (i.e., 0.8).

Next, the “ratio test” assesses the extent of the significance of the 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 prices that differ significantly supports 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 but less than 66 percent of the value of total sales, then the results support 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 the application 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 prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, the Department examines 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 or greater 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 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.

For CPZ/SKF, based on the results of the differential pricing analysis, the Department finds that between 33 percent and 66 percent of CPZ/SKF's U.S. sales pass the Cohen's *d* test, which confirms the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions or time periods. This finding supports consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test and application of the average-to-average methodology to those sales identified as not passing the Cohen's *d* test. Further, the Department determines that the average-to-average method cannot appropriately account for such differences because a 25 percent or greater relative change in the weighted-average dumping margin exists between the average-to-average method and the appropriate alternative method where both rates are above the de minimis threshold. Accordingly, the Department determined to use the average-to-transaction method for those U.S. sales which passed the Cohen's *d* test and the average-to-average method for those U.S. sales which do not pass the Cohen's *d* test to calculate the weighted-average dumping margin for CPZ/SKF.

For Tainai, there is no pattern of prices that differ significantly because no sales pass the Cohen's *d* test, as there was only one sale.⁴⁵ Therefore, the Department has used the average-to-average method to calculate the weighted-average dumping margin for Tainai.

Export Price/Constructed Export Price

We used CEP methodology for CPZ/SKF's sales, in accordance with section 772(b) of the Act, because the subject merchandise was sold in the United States by a U.S. seller affiliated with the

⁴⁵ See Memo to the File, from Alan Ray, "New Shipper Review of Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from the People's Republic of China, Calculation Adjustments for Shanghai Tainai Bearing Co., Ltd. for the Preliminary Results," dated July 16, 2014.

producer and EP methodology was not otherwise indicated.⁴⁶ We used EP methodology for Tainai's U.S. sale, in accordance with section 772(a) of the Act, because the subject merchandise was sold by the producer/exporter outside of the United States directly to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise warranted based on the facts of record.⁴⁷

Value-Added Tax (VAT)

In 2012, the Department announced a change of methodology with respect to the calculation of EP and CEP to include an adjustment of any un-refunded (hereafter irrecoverable) VAT in certain NMEs, in accordance with section 772(c)(2)(B) of the Act.⁴⁸ The Department explained that when an NME government imposes an export tax, duty, or other charge on subject merchandise, or on inputs used to produce subject merchandise, from which the respondent was not exempted, the Department will reduce the respondent's EP and CEP prices accordingly by the amount of the tax, duty or charge paid, but not rebated.⁴⁹ Where the irrecoverable VAT is a fixed percentage of CEP or EP, the Department explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. CEP or EP downward by this same percentage.⁵⁰

The Department's methodology, as explained above and applied in this review, essentially amounts to performing two basic steps: (1) determining the irrecoverable VAT tax on subject merchandise, and (2) reducing U.S. price by the amount (or rate) determined in step one. Information placed on the record of this review by CPZ/SKF indicates that, according to the Chinese VAT schedule, the standard VAT levy is 17 percent⁵¹ and the rebate rate for subject merchandise is 15 percent.⁵² For the purposes of these preliminary results, therefore, we removed from U.S. price the difference between the rates (2 percent), which is the irrecoverable VAT as defined under Chinese tax law and regulation.⁵³

A. *CPZ/SKF*

We based CEP on prices to the first unaffiliated purchaser in the United States. We made deductions from the U.S. sales price for movement expenses, in accordance with section

⁴⁶ See CPZ/SKF's November 26, 2013, response to section C of the questionnaire at 13.

⁴⁷ See Tainai's September 23, 2013, response to section C of the questionnaire at 11.

⁴⁸ 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).

⁴⁹ Id.; see also Chlorinated Isocyanurates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 4875 (January 30, 2014) and accompanying Issues and Decision Memorandum at Comment 5.A.

⁵⁰ 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).

⁵¹ See CPZ/SKF's June 18, 2014, submission at Appendix I.

⁵² Id.

⁵³ Id.

772(c)(2)(A) of the Act. These included foreign inland freight from the plant to the port of exportation and foreign brokerage and handling, ME inland freight, ME brokerage and handling, international freight, marine insurance, U.S. other transportation expenses, U.S. customs duty, U.S. warehousing expenses, U.S. inland freight from port to the warehouse, and, where applicable, U.S. inland freight from the warehouse to the customer. In accordance with our practice,⁵⁴ we offset inland freight expenses from CPZ/SKF's U.S. warehouse to its U.S. customer by the reported freight revenue for these sales.⁵⁵ In instances where the above-listed expenses were incurred in the PRC, we valued these expenses using the SV methodology described in the "Factor Valuations" section of this memorandum, below.

In accordance with section 772(d)(1) of the Act, the Department deducted from the U.S. price commissions paid to unaffiliated selling agents, inventory carrying costs, credit expenses, repacking expenses, and U.S. indirect selling expenses, all of which relate to commercial activity in the United States. Finally, we deducted CEP profit, in accordance with sections 772(d)(3) and 772(f) of the Act.

B. *Tainai*

We based EP on packed prices to the first unaffiliated purchaser in the United States. We made deductions from the starting price for movement expenses to the port of export and brokerage and handling expenses in the PRC, where appropriate, in accordance with section 772(c)(2)(A) of the Act. In instances where these expenses were incurred in the PRC, we valued these expenses using the SV methodology described in the "Factor Valuations" section of this memorandum, below.

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using an FOP methodology if the merchandise is exported from an NME and the information does not permit the calculation of NV using home market prices, third country prices, or constructed value under section 773(a) of the Act. The Department bases NV on the FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's 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) amounts of energy and other utilities consumed; and (4) representative capital costs. The Department used FOPs reported by the respondents for materials, labor, and packing, but excluded energy (*i.e.*, electricity and coal). See the Surrogate Value Memorandum for further discussion regarding energy reporting in financial statements.

Factor Valuations

⁵⁴ See Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent to Revoke Antidumping Duty Order in Part, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 2; see also TRBs AR 25 Prelim, unchanged in TRBs AR 25 Final.

⁵⁵ See July 16, 2014, memorandum to the file, entitled "Calculation Adjustments for CPZ/SKF for the Preliminary Results."

In accordance with section 773(c) of the Act, we calculated NV based on FOPs reported by CPZ/SKF and Tainai for the POR.

The Department used Thai import data and other publicly-available Thai sources in order to calculate SVs for each respondent'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.⁵⁶

For the preliminary results, in accordance with the Department's practice, except where noted below, we used data from the Thai import statistics in the GTA, published by Global Trade Information Services, Inc., and other publicly-available Thai sources to calculate SVs for certain FOPs reported by CPZ/SKF and Tainai (i.e., direct material and packing materials and certain movement expenses). The GTA reports import statistics, such as from Thailand, in the original reporting currency and, thus, these data correspond to the original currency value reported by each country. The record shows that data in the Thai import statistics, as well as those from several other Thai sources, are contemporaneous with the POR, product-specific, and tax-exclusive.⁵⁷ In those instances where we could not obtain publicly-available information contemporaneous to the POR with which to value factors, we adjusted the SVs using, where appropriate, the Thai Producer Price Index (PPI) or Consumer Price Index, as published in the International Monetary Fund's International Financial Statistics.⁵⁸

As appropriate, the Department adjusted input prices by including freight costs to render them delivered prices. Specifically, the Department added to Thai import SVs reported on a Cost, Insurance and Freight basis a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory where it relied on an import value. This adjustment is in accordance with the decision of the Court of Appeals for 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, exchange rates, and taxes. Moreover we converted all applicable FOPs to a per-kilogram basis.

Furthermore, with regard to the Thai import-based SVs, we disregarded import data on inputs that we have reason to believe or suspect may be subsidized. We have reason to believe or suspect that prices of inputs from Indonesia, India, and the Republic of Korea may have been subsidized because we have found in other proceedings that these countries maintain broadly

⁵⁶ 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.

⁵⁷ See Surrogate Value Memorandum.

⁵⁸ See, e.g., Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 74 FR 9600 (March 5, 2009), unchanged in 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 (July 24, 2009).

available, non-industry-specific export subsidies.⁵⁹ Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.⁶⁰ 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.⁶¹ 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 SVs, because the Department could not be certain that they were not from either an NME country or a country with general export subsidies.⁶² Therefore, we have not used prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

Pursuant to 19 CFR 351.408(c)(1) (2006), when a respondent reports raw material inputs sourced from, and produced by, ME suppliers in meaningful quantities (i.e., not insignificant quantities) and paid for in an ME currency during the POR, 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.⁶³ 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,⁶⁴ the Department uses the actual purchase prices to value the inputs. Information reported by CPZ/SKF demonstrates that certain inputs were sourced from and produced by an ME country and paid for in an ME currency during the POR.⁶⁵ The information reported by CPZ/SKF also demonstrates that such inputs were purchased in significant quantities (i.e., 33 percent or more) from ME suppliers; hence, the

⁵⁹ 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; and 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.

⁶⁰ 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.

⁶¹ 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).

⁶² 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).

⁶³ See, e.g., Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27366 (May 19, 1997).

⁶⁴ See Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments, 71 FR 61716, 61717-61718 (October 19, 2006) (Antidumping Methodologies: Market Economy Inputs). Because the review was initiated before September 3, 2013, the 2006 regulation applies.

⁶⁵ See CPZ/SKF's section D response, submitted on November 26, 2013, at D-8 and Appendix D-10.

Department used CPZ/SKF's actual ME purchase prices to value these inputs.⁶⁶ Where appropriate, freight expenses were added to the ME price of the input.

CPZ/SKF reported separate FOP information for merchandise produced by CPZ/SKF, and for merchandise which was produced by CPZ prior to its acquisition by SKF (pre-acquisition CPZ). For those POR sales of merchandise produced by pre-acquisition CPZ, CPZ/SKF reported the FOPs from pre-acquisition CPZ. For all POR sales of merchandise produced after the acquisition by SKF, CPZ/SKF reported its own FOPs.

We valued brokerage and handling using a price list for export procedures necessary to export a standardized cargo of goods in Thailand in a 20-foot container. The price list was published in the World Bank publication Doing Business in Thailand.⁶⁷ The reported prices were contemporaneous with the POR.

We valued truck freight using Thai data published by the World Bank publication Doing Business in Thailand⁶⁸ and distances between Thai cities published on Google Maps: <https://maps.google.com>. The reported prices were contemporaneous with the POR.

We valued barge freight using South African data from December 2005 publication The Impact of Transportation Pricing Practices in South Africa on Freight Transportation Costs, published by the Human Science Research Council. The prices were converted to U.S. dollars and inflated to be contemporaneous with the POR.

CPZ/SKF reported that more than 33 percent of its international ocean freight services and air freight services were purchased from ME suppliers in ME currency, so the Department valued NME ocean freight service and air freight service purchases using CPZ/SKF's ME ocean freight and air freight purchases, as applicable, during the POR.⁶⁹

On June 21, 2011, the Department revised its methodology for valuing the labor input in NME antidumping proceedings.⁷⁰ In Labor Methodologies, 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.⁷¹

In these preliminary results, the Department calculated the labor input value using data from the 2007 Industrial Census data published by Thailand's National Statistics Office (the 2007 NSO data). Although the 2007 NSO data are not from the ILO, the Department finds that this fact

⁶⁶ Id.

⁶⁷ See Surrogate Value Memorandum.

⁶⁸ Id.

⁶⁹ Id.

⁷⁰ See Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor, 76 FR 36092 (June 21, 2011) (Labor Methodologies).

⁷¹ Id.

does not preclude us from using this source for valuing labor. In Labor Methodologies, the Department decided to change to the use of ILO Chapter 6A 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.⁷² 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 available information to determine SVs for inputs such as labor.⁷³ Thus, we find that the 2007 NSO data are the best available information for valuing labor for this segment of the proceeding. Specifically, the 2007 NSO data are not only more contemporaneous than the ILO Chapter 6A data from Thailand, which is from 2005,⁷⁴ but also they are specific to the bearings industry, while the 2005 ILO data represent all Thai manufacturing. The Department has used the 2007 NSO data to value the labor input in several recent determinations.⁷⁵ The calculated wage rate is provided in the Surrogate Value Memorandum.

Pursuant to 19 CFR 351.408(c)(4), the Department valued factory overhead, selling, general and administrative expenses, and profit using non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country. For these preliminary results, we used ratios derived from the financial statements of JTEKT (Thailand) Co., Ltd. (JTEKT) for the fiscal year ending December 31, 2011. Upon review of JTEKT's financial statements, the Department finds no reason to believe or suspect that JTEKT may have received countervailable subsidies. In sum, we therefore find that these financial statements constitute the best available information with which to determine the financial ratios.

As stated above, the Department used Thailand data reported under the 2007 NSO data, which reflects all costs related to labor, including wages, benefits, housing, training, etc. Because the financial statements used to calculate the surrogate financial ratios do not include an itemized detail of indirect labor costs, the Department made no adjustments to the surrogate financial ratios.

CPZ/SKF and Tainai reported that steel scrap was recovered as a by-product of the production of subject merchandise and successfully demonstrated that the scrap has commercial value. Therefore, we granted a by-product offset for the reported steel scrap, valued using Thai import data.⁷⁶

⁷² See Labor Methodologies, 76 FR at 36093.

⁷³ See Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33354 (June 4, 2013), and accompanying Issues and Decision Memorandum at Comment 6-C (Xanthan Gum from the PRC); and Drawn Stainless Steel Sinks From the People's Republic of China: Investigation, Final Determination, 78 FR 13019 (February 26, 2013), and accompanying Issues and Decision Memorandum at Comment 3 (Sinks from the PRC).

⁷⁴ See ILO Yearbook of Labor Statistics 2009 at 1052.

⁷⁵ See Xanthan Gum from the PRC, and accompanying Issues and Decision Memorandum at Comment 6-C; and Sinks from the PRC, and accompanying Issues and Decision Memorandum at Comment 3.

⁷⁶ See Surrogate Value Memorandum.

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.

CONCLUSION

We recommend applying the above methodology for these preliminary results.

✓
Agree

Disagree

Paul Piquado
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

16 July 2014
(Date)