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October 31, 2014

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

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

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping
Duty Administrative Review: Helical Spring Lock Washers from
the People's Republic of China; 2012-2013

SUMMARY

In response to requests from an interested party, the Department of Commerce (Department) is conducting an administrative review of the antidumping duty order on helical spring lock washers (HSLW) from the People's Republic of China (PRC) for the period of review (POR) from October 1, 2012, through September 30, 2013. The administrative review covers three exporters of subject merchandise, Jiangsu RC Import & Export Co., Ltd. (Jiangsu RC), Suzhou Guoxin Group Wang Shun Imp. and Exp. Co., Ltd. (Guoxin), and Winnsen Industry Co., Ltd. (Winnsen). We preliminarily determine that Jiangsu RC made sales of subject merchandise to the United States at prices below normal value (NV). Guoxin ceased participating in this review, and, thus, we preliminarily determine it is not eligible for a separate rate and it remains part of the PRC-wide entity. In addition, we are not rescinding the review with respect to Winnsen at this time (*see* "Intent Not to Rescind in Part," *infra*).

BACKGROUND

On October 2, 2013, the Department notified interested parties of their opportunity to request an administrative review of orders, findings, or suspended investigations with anniversaries in

October 2013, including the antidumping duty order on HSLW from the PRC.¹ On October 31, 2013, United Steel and Fasteners, Inc. (US&F), an importer, requested an administrative review of its imports of subject merchandise from three exporters, Jiangsu RC, Guoxin, and Winnsen, covering the period October 1, 2012 through September 30, 2013.² On December 3, 2013, we initiated an administrative review of the three companies.³

On February 3, 2014, we placed a memorandum on the record noting that there were no entries for consumption (*i.e.*, type 3 entries) of the subject merchandise for the POR.⁴ On February 10, 2014, US&F commented on the CBP data.⁵ On February 18, 2014, we noted that CBP informed us that certain entries had been reclassified as “Type 3 entries”, and, thus, we released the updated CBP data.⁶

On February 18, 2014, we issued the initial questionnaire to Jiangsu RC, Guoxin, and Winnsen, and we received both Jiangsu RC’s and Guoxin’s responses to the section A questionnaire on March 27, 2014.⁷ On March 4, 2014, US&F withdrew its request for review of Winnsen.⁸ On April 10, 2014, we received comments from the petitioner, Shakeproof Assembly Components Division of Illinois Tool Works Inc. (Shakeproof), regarding respondents’ responses to section A questionnaire responses.⁹

We received responses to sections C and D from Jiangsu RC and Guoxin on April 17, 2014 and April 24, 2014, respectively.¹⁰ Jiangsu RC’s response to section D was submitted on behalf of “Hott,” the producer of subject merchandise that is exported by Jiangsu RC.¹¹ (Hott’s full identity is subject to this administrative review’s administrative protective order.) Guoxin’s response to section D was submitted on behalf of Taicang Zhongbo Railway Fastening Co. Ltd. (Zhongbo).¹² On April 23, 2014, Shakeproof submitted comments regarding Jiangsu RC’s

¹ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 78 FR 60847 (October 2, 2013) (*Opportunity to Request Administrative Review*).

² See US&F’s letter “Request for Administrative Review: Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China (Case No: A-570-822) (POR: October 1, 2012–September 30, 2013)” dated October 31, 2013.

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 72630 (December 3, 2013) (*Initiation Notice*).

⁴ See Memorandum to the File, “Release of Customs and Border Protection (‘CBP’) Data” dated February 3, 2014.

⁵ See “US&F’s Comments on CBP Data: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People’s Republic of China (A-570-822)” dated February 10, 2014.

⁶ See Memorandum to the File, “Helical Spring Lock Washers from the People’s Republic of China-placing CBP Data on the record of this review,” dated February 18, 2014.

⁷ See “RC Section A Response: Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China” dated March 27, 2014 (JSAR); and “Guoxin Section A Response: Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China” dated March 27, 2014 (GSAR).

⁸ See US&F’s letter “Withdrawal Of Request For Administrative Review: Antidumping Duty Order On Helical Spring Lock Washers From The People’s Republic Of China,” dated March 3, 2014 but filed on March 4, 2014.

⁹ See Shakeproof’s letter “Certain HSLWs from China; 20th Administrative Review Comments on Section A Responses” dated April 10, 2014.

¹⁰ See “RC Section C & D Responses: Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China” dated April 17, 2014 (JCDR); and “Guoxin Section C & D Responses: Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China” dated April 24, 2014 (GCDR).

¹¹ See JCDR.

¹² See GCDR.

section D responses and on May 2, 2014 comments regarding Jiangsu RC's JCDR.¹³ On May 6, 2014, Shakeproof submitted comments on Guoxin's section D and C responses.¹⁴

On June 20, 2014, we extended the time period for issuing the preliminary results by 120 days until October 31, 2014.¹⁵ We issued supplemental questionnaires to Jiangsu RC on June 20, 2014, and July 2, 2014, and to Guoxin on July 2, 2014. We received timely responses from Jiangsu RC on June 25, 2014 to the June 20, 2014, questionnaire, and on July 16, 2014, and August 8, 2014, to Parts I and II of the July 2, 2014, questionnaire.¹⁶ On July 16, 2014, we received a timely response from Guoxin regarding Part I of the July 2, 2014, questionnaire.¹⁷ On August 8, 2014, we received the response to Part II of our July 2, 2014 supplemental questionnaire to Guoxin from Zhongbo.¹⁸ In this response, Zhongbo informed the Department that Guoxin ceased participating in this administrative review.¹⁹

On October 7, 2014, Shakeproof submitted pre-preliminary comments.²⁰ On October 14, 2014, US&F submitted pre-preliminary comments.²¹ On October 16, 2014, Shakeproof submitted rebuttal comments to the Department.²²

SCOPE OF THE ORDER

The products covered by the order are helical spring lock washers of carbon steel, of carbon alloy steel, or of stainless steel, heat-treated or non-heat-treated, plated or non-plated, with ends that are off-line. Helical spring lock washers are designed to: (1) Function as a spring to compensate for developed looseness between the component parts of a fastened assembly; (2) distribute the load over a larger area for screws or bolts; and (3) provide a hardened bearing surface. The scope

¹³ See Shakeproof's letters "Certain HSLWs from China; 20th Administrative Review Initial Comments on Jiangsu Section D Response" dated April 23, 2014, and "Certain HSLWs from China; 20th Administrative Review Comments on Jiangsu RC Sections C-D Responses" dated May 2, 2014.

¹⁴ See Shakeproof's letter "Certain HSLWs from China; 20th Administrative Review Shakeproof Comments on Guoxin Sections C-D Responses" dated May 6, 2014.

¹⁵ See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, regarding "Administrative Review of the Antidumping Duty Order on Helical Spring Lock Washers from the People's Republic of China: Extension of Time Limit for Preliminary Results," dated June 20, 2014.

¹⁶ See "RC First Supplemental Response: Antidumping Duty Order on Helical Spring Lock Washers from the People's Republic of China" dated June 25, 2014 (J1SQ); "RC Second Supplemental Response Part 1: Antidumping Duty Order On Helical Spring Lock Washers From The People's Republic Of China," dated July 16, 2014; "RC Second Supplemental Response Part 2: Antidumping Duty Order on Helical Spring Lock Washers from the People's Republic of China," dated August 8, 2014 (J2SQ).

¹⁷ See "Guoxin First Supplemental Response Part 1: Antidumping Duty Order on Helical Spring Lock Washers from the People's Republic of China," dated July 16, 2014 (G1SQ).

¹⁸ See "Zhongbo's First Supplemental Response Part 2: Antidumping Duty Order on Helical Spring Lock Washers from the People's Republic of China" dated August 8, 2014. (ZQR)

¹⁹ *Id.* at 3.

²⁰ See Shakeproof's letter "Certain HSLWs from China; 2014 Administrative Review Shakeproof Pre-Preliminary Comments" dated October 7, 2014 (SPP).

²¹ See US&F's letter "US&F's Pre-Preliminary Comments: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People's Republic of China" dated October 14, 2014 (RPP).

²² See Shakeproof's letter "Certain HSLWs from China; 20th Administrative Review Shakeproof Response to US&F Pre-Preliminary Comments" dated October 16, 2014 (SRPP).

does not include internal or external tooth washers, nor does it include spring lock washers made of other metals, such as copper.

Helical spring lock washers subject to the order are currently classifiable under subheadings 7318.21.0000, 7318.21.0030, and 7318.21.0090 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

INTENT NOT TO RESCIND REVIEW IN PART

We received a timely request for withdrawal of the administrative review request for Winnsen, and there is no other review request outstanding for that company. For a company named in the initiation notice for which a review request has been withdrawn (in this case, Winnsen), but which has not previously received separate rate status, the Department's practice is to refrain from rescinding the review with respect to that company at the preliminary results. While Winnsen's request for review was timely withdrawn, Winnsen remains part of the PRC-wide entity. The PRC-wide entity is under review for these preliminary results (*see* "Separate Rate" section).²³ Therefore, we are not rescinding this review with respect to Winnsen at this time.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

The Department considers the PRC to be a nonmarket economy (NME) country. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority.²⁴ None of the parties to this proceeding has contested NME treatment for the PRC. Therefore, for the preliminary results of this review, we treated the PRC as an NME country and applied our current NME methodology in accordance with section 773(c) of the Act.

²³ On November 4, 2013, the Department announced a change in practice with regards to conditional review of non-market economy entities for all antidumping administrative reviews for which the notice of opportunity to request an administrative review is published on or after December 4, 2013. *See Antidumping Duty Proceedings: Announcement of Change in Department Practice for Respondent Selection in Antidumping Duty Proceedings and Conditional Review of the Nonmarket Economy Entity in NME Antidumping Proceedings*, 78 FR 65963 (November 4, 2013). The opportunity to request this review was published on October 2, 2013; therefore, the changes to the Department's practice are not applicable to the review. *See Opportunity to Request Administrative Review*.

²⁴ *See Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the 2004/2005 Administrative Review and Preliminary Notice of Intent To Rescind the 2004/2005 New Shipper Review*, 71 FR 26736, 26739 (May 8, 2006), unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of Rescission of 2004/2005 New Shipper Review*, 71 FR 66304 (November 14, 2006).

Separate Rate

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.²⁵ In the *Initiation Notice*, we notified parties of the application process by which exporters and producers may obtain separate rates.²⁶ 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*,²⁷ as further developed in *Silicon Carbide*.²⁸ If, however, the Department determines that a company is wholly foreign-owned, then a separate rate analysis is not necessary to determine whether it is independent from government control.²⁹

On January 27, 2014, Jiangsu RC, Guoxin, and Winnsen requested that the Department grant an extension of time to file their Separate Rate Applications (SRA) in this proceeding.³⁰ On February 20, 2014, we allowed Jiangsu RC, Guoxin, and Winnsen to submit their SRAs along with the Section A questionnaire responses.³¹ On March 27, 2014, we received completed responses to the Section A questionnaire from Jiangsu RC and Guoxin, which contained information pertaining to the companies' eligibility for a separate rate.³²

²⁵ 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).

²⁶ See *Initiation Notice*, 78 FR at 72631.

²⁷ 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*).

²⁸ See *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide From the Peoples' Republic of China*, 59 FR 22585, 22586-89 (May 2, 1994) (*Silicon Carbide*).

²⁹ See, e.g., *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China*, 72 FR 52355, 52356 (September 13, 2007).

³⁰ See Letter from the respondents "Extension Request for Section A Questionnaire Response in lieu of SRA: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People's Republic of China" dated January 27, 2014.

³¹ See Department Letter "Helical Spring Lock Washers from the People's Republic of China: Request to Allow Parties to Submit Section A Questionnaire Responses in Lieu of Separate Rate Applications" dated February 3, 2014. See also Department Letter "Helical Spring Lock Washers from the People's Republic of China: Request to Allow Parties to Submit Section A Questionnaire Responses in Lieu of Separate Rate Applications" dated February 20, 2014.

³² See JSAR and GSAR.

Separate Rate Recipients

We preliminary grant Jiangsu RC a separate rate, as explained below.

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) any other formal measures by the government decentralizing control of companies.³³

The evidence provided by Jiangsu RC supports a preliminary finding of *de jure* absence of government control of export activities 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; and (3) there are formal measures by the government decentralizing control of companies.³⁴

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 (EPs) are set by or are subject to the approval of a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding the disposition of profits or financing of losses.³⁵

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 Jiangsu RC, we determine that the evidence on the record supports a preliminary finding of *de facto* absence of government control based on record statements and supporting documentation showing the following: (1) the respondent sets its own EPs independent of the government and without the approval of a government authority; (2) the respondent has the authority to negotiate and sign contracts and other agreements; (3) the respondent has autonomy from the government regarding the selection of management; and (4) the respondent retains the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses.³⁶

³³ See *Sparklers*, 56 FR at 20589.

³⁴ See JSAQ at 3-7 and Exhibits A-3 and A-4. See, also, J2QR at Exhibit A-1.

³⁵ 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).

³⁶ See JSAR.

c) *PRC-Wide Entity*

In the *Initiation Notice*, we stated that if one of the companies for which this review was initiated “does not qualify for a separate rate, all other exporters of HSLW from the PRC who have not qualified for a separate rate are deemed to be covered by this review as part of the single PRC entity of which the named exporters are a part.”³⁷ Companies were able to avail themselves of the SRA and the SRC, which were posted on the Enforcement and Compliance’s website at <http://enforcement.trade.gov/nme/nme-sep-rate.html>.³⁸

When parties for which a review was initiated fail to respond, they are treated as part of the PRC-wide entity which is considered to be under review.³⁹ As noted above, in its ZQR, Zhongbo informed the Department that Guoxin was no longer participating in this administrative review. Guoxin, and only Guoxin, responded and submitted proper company certification⁴⁰ in its GSAR and GCDR submissions. In response to the Department’s questionnaire, both Guoxin and Zhongbo responded to the G1QR and provided proper company certifications. In its ZQR submission, only Zhongbo responded and provided the proper company certification. In the ZQR, Zhongbo stated that it is “the real party in interest and the entity responsible for effectuating the sales transactions of {merchandise under consider} to the United States during the POR.”⁴¹

In its SPP, Shakeproof argues that the Department should find Guoxin to be part of the PRC-wide entity.⁴² We agree.

Record evidence demonstrates that Zhongbo, which is 35 percent owned by Guoxin⁴³, is not the “effectuator of sales” during the POR. In its GSAR, Guoxin reports that “{s}ales prices are set with reference to the current market price and Guoxin’s subsidiary-producer’s cost of production” and that Guoxin “is responsible for the preparation of all commercial documents related to the sale, including invoicing the customer, as well as collecting payment from the customer. Sales prices are negotiated directly with the U.S. customer and are typically first memorialized in the issuance of the customer’s purchase order.”⁴⁴ Further, it is Guoxin, and not Zhongbo, for which the review was requested. Thus, as Guoxin did not respond to the ZQR by the deadline,⁴⁵ and, further, since it has ceased to participate, we cannot solicit additional information from Guoxin or verify any of the information it submitted to the record.⁴⁶

³⁷ See *Initiation Notice*, 78 FR at 72632, footnote 3.

³⁸ *Id.*, 78 FR at 72632.

³⁹ See, e.g., *Honey From the People’s Republic of China: Preliminary Results of Review*, 77 FR 46699, 46700 (August 6, 2012), unchanged in *Administrative Review of Honey From the People’s Republic of China: Final Results of Antidumping Duty Administrative Review*, 77 FR 70417 (November 26, 2012).

⁴⁰ See 19 CFR 351.303(g)(1)(i).

⁴¹ See ZQR at 3.

⁴² See PPD at 4-5. Shakeproof also argues that the Department should apply adverse facts available to Guoxin.

⁴³ See GSAR at 2.

⁴⁴ See GAR at 5.

⁴⁵ See Department’s Letter to Guoxin, “Administrative Review of the Antidumping Duty Order on Helical Spring Lock Washers from the People’s Republic of China: First Supplemental Questionnaire”, dated July 2, 2014, requesting additional information from Guoxin by July 16, 2014; see also Department’s July 28, 2014 Letter to Guoxin granting an extension of the deadline for Part II of the supplemental questionnaire to August 8, 2014.

⁴⁶ We note that Guoxin did not respond to several questions in the ZQR that the Department finds critical to

As such, we preliminarily determine that Guoxin failed to participate and, accordingly, is part of the PRC-wide entity. We find it immaterial that Guoxin submitted a SRA with its GSAR since it ceased to participate in this administrative review. For the PRC-wide entity, we continue to use the PRC-wide rate of 128.63 percent determined in the original investigation.⁴⁷

Surrogate Country

In antidumping proceedings involving NME countries, pursuant to section 773(c)(1) of the Act, the Department generally bases NV on the value of the NME producer's factors of production (FOP). In accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department uses, 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.⁴⁸ We determined that South Africa, Colombia, Bulgaria, Thailand, Ecuador, and Indonesia are countries whose *per capita* gross national incomes (GNI) are at same the level of economic development as of the PRC.⁴⁹ Moreover, it is the Department's practice to select an appropriate surrogate country based on the availability and reliability of data from the countries that are at the same level of economic development as the PRC and significant producers of comparable merchandise.⁵⁰ Sources of the surrogate values we are preliminarily using in this review are discussed under the "Normal Value" section, *infra*.

On January 31, 2014, we requested comments from interested parties regarding the selection of a surrogate country and surrogate values (SVs).⁵¹ We received comments from Shakeproof,⁵² arguing for the use of Thailand as a surrogate country, and from US&F,⁵³ arguing for the use of Indonesia.

Comparable Level of Economic Development

As a general rule, the Department selects a surrogate country that is at the same level of economic development as the NME unless it is determined that none of the countries are viable

calculating an accurate margin such as CONNUM-related matters, product description, and U.S. sales documentation. On August 14, 2014, two days after Zhongong submitted ZQR, Shakeproof submitted an allegation that Guoxin was a PRC state-owned enterprise. See Shakeproof's Letter, "Certain HSLWs from China; 20th Administrative Review Factual Information Related to Respondent Company Ownership" dated August 14, 2014.

⁴⁷ See *Antidumping Duty Order: Certain Helical Spring Lock Washers From the People's Republic of China*, 58 FR 53914 (October 19, 1993) and *Amended Final Determination and Amended Antidumping Duty Order: Certain Helical Spring Lock Washers From the People's Republic of China*, 58 FR 61859 (November 23, 1993).

⁴⁸ See Enforcement and Compliance Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (Policy Bulletin) available at <http://enforcement.trade.gov/policy/index.html>.

⁴⁹ See Department Memorandum, "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Helical Spring Lock Washer ('HSLW') from the People's Republic of China (China)" dated January 30, 2014 (Policy Memorandum).

⁵⁰ For a description of the Department's practice, see Policy Bulletin.

⁵¹ See Department's Letter to all interested parties dated January 31, 2014.

⁵² See Shakeproof's Letters, "Certain HSLWs from China; 20th Administrative Review Comments on Surrogate Country Selection" dated May 23, 2013 and "Certain HSLWs from China; 20th Administrative Review Rebuttal Comments on Surrogate Country Selection" dated August 4, 2014 (SSCR).

⁵³ See US&F's Letter, "US&F's Surrogate Country Comments: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People's Republic of China" dated July 25, 2014 (RSC).

options because (a) they either are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available SV data, or (c) are not suitable for use based on other reasons. Surrogate countries that are not at the same level of economic development as the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development.⁵⁴

As stated above, we determined that Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand are each at the same level of economic development as the PRC in terms of *per capita* GNI during the POR.⁵⁵ Therefore, we consider all six countries as having met this prong of the surrogate country selection criteria. Accordingly, unless we find that (a) all of the countries determined to be at the same level of economic development as the PRC either are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available SV data, or (c) are not suitable for use based on other reasons, we will rely on data from one of these countries.

Producers of Identical or Comparable Merchandise

Section 773(c)(4)(B) of the Act requires the Department to value FOPs in a surrogate country that is a significant producer of comparable merchandise. Neither the statute nor the Department's regulations provide further guidance on what may be considered comparable merchandise. Given the absence of any definition in the statute or regulations, the Department looks to other sources, such as the Policy Bulletin, for guidance on defining comparable merchandise. The Policy Bulletin states that "in all cases, if identical merchandise is produced, the country qualifies as a producer of comparable merchandise."⁵⁶ If identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.⁵⁷ Further, when selecting a surrogate country, the statute requires the Department to consider the comparability of the merchandise, not the comparability of the industry.⁵⁸

In this review, we preliminarily determine that merchandise described under HTS code 7318.21 ("Spring Washers And Other Lock Washers, Of Iron Or Steel") is identical or comparable to the merchandise covered by this review. Our analysis shows that both Indonesia and Thailand exported significant quantities of HSLW during the POR under HTS code 7318.21.⁵⁹ Next we consider the availability of SV data.

⁵⁴ See Surrogate Country Memo.

⁵⁵ See Policy Memorandum.

⁵⁶ See Policy Bulletin.

⁵⁷ 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," at note 6.

⁵⁸ See *Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674 (December 15, 1997), and accompanying Issues and Decision Memorandum (IDM) at Comment 1 (to impose a requirement that merchandise must be produced by the same process and share the same end uses to be considered comparable would be contrary to the intent of the statute).

⁵⁹ See "Preliminary Results of the Eighteenth Administrative Review of Helical Spring Lock Washers from the People's Republic of China: Surrogate Value Memorandum" dated concurrently with this memorandum (Surrogate Value Memorandum), at Exhibit IV for the GTA export quantity data.

Data Considerations

When evaluating SV data, the Department considers several factors including whether the SV is publicly available, contemporaneous with the POR, representative of a broad-market average, from an approved surrogate country, tax- and duty-exclusive, and specific to the input.⁶⁰ 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 of valuing the FOPs.⁶¹

For Thailand, we are able to obtain, and the record contains, the required SVs for direct materials, packing materials, and certain energy inputs from GTA import data.⁶² Labor data for Thailand is available from the National Statistical Office of the Thai government (NSO) and is industry specific. Publicly available data from Thailand provides for a calculation of inland truck freight and domestic brokerage and handling (B&H). Furthermore, there are three useable financial statements on the record from Thai producers of comparable merchandise.⁶³ Each of these financial statements are contemporaneous with the POR (fiscal year ending 2013) and sufficient details to calculate the financial ratios required to calculate NV.⁶⁴ We relied on these publicly available financial statements as the best available information for the calculation of surrogate financial ratios for these preliminary results, averaging the ratios. Therefore, in accordance with our regulatory preference to value FOPs using a single surrogate and because Thailand provides all necessary data to value FOPs and we have useable Thai financial statements, for these preliminary results we selected Thailand as the primary surrogate country for valuing FOPs.

In its Surrogate Country Comments, US&F argues that record evidence indicates that Indonesia has the most specific surrogate value data for the prime input hot-rolled circular silico-manganese steel bar (steel bar), *i.e.*, via an eleven-digit HTS number.⁶⁵ Further, according to US&F, record evidence demonstrates that 1) there are commercial levels of imports of steel bar into Indonesia during the POR, while 2) Thailand, which also identifies steel bar at an eleven-digit HTS number, did not have imports of steel bar during the POR.⁶⁶ Shakeproof rebutted US&F's argument that Thailand did not have imports of steel bar during the POR by submitting record evidence demonstrating that Thailand did have imports of steel bar in 2012.⁶⁷ Shakeproof added that the average unit value (AUV) of the Thai steel bar imports was in line with the AUV of the Indonesian steel bar imports.⁶⁸ However, in its SRPP, Shakeproof stated that it agreed with US&F with respect to the premise that Indonesia was the only country with contemporaneous imports of steel bar and that, therefore, the Department should use Indonesia as the surrogate

⁶⁰ See Policy Bulletin.

⁶¹ *Id.*; See also, *e.g.*, *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 IDM at 7.

⁶² For a more detailed analysis, see Surrogate Value Memorandum.

⁶³ See US&F's Letter, "First Surrogate Value Submission: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People's Republic of China" dated August 18, 2014, at Exhibits 11A, 11C, and 11D. See, also, Surrogate Value Memorandum for a discussion of the financial statements used.

⁶⁴ These ratios are factory overhead, selling, general, and administrative expenses, and profits.

⁶⁵ See SCC at 7-8.

⁶⁶ *Id.* at 9-10 and Exhibits 10 and 11.

⁶⁷ See SSCR at 2 and Exhibit 2.

⁶⁸ *Id.*

country along with the useable Thai financial statements on the record.⁶⁹ We disagree with US&F and Shakeproof’s argument for the use of Indonesia as the surrogate country for this administrative review.

We recognize that both Indonesia and Thailand provide for a specific HTS for steel bar, unlike, as noted by US&F, *e.g.*, South Africa.⁷⁰ The record demonstrates that only Indonesia had imports of steel bar contemporaneous with the POR whereas Thailand’s imports occurred one month before the POR.⁷¹ However, Thailand did have imports of steel bar at the six-digit HTS number, *i.e.*, “Other Bars And Rods Of Silico-Manganese Steel.” Accordingly, we preliminarily determine that, with respect to steel bar, both these countries offer data that is publicly available, contemporaneous with the POR, representative of a broad-market average, from an approved surrogate country, tax- and duty-exclusive, and specific to the input. We note that it is well established that the Department’s preference is to value factors in a single surrogate country when possible and our decision necessarily is guided by considering the best information available on the record.⁷² To that end, we have useable surrogate financial statements from Thailand but not Indonesia. Therefore, we preliminarily determine to use Thailand as the surrogate country.⁷³

USE OF FACTS AVAILABLE

Section 776(a) of the Act provides that, subject to section 782(d) of the Act, the Department shall apply “facts otherwise available” if: (1) necessary information is not on the record, or (2) an interested party or any other person (A) withholds information that has been requested, (B) fails to provide information within the deadlines established, or in the form and manner requested by the Department, subject to subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding, or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

Where the Department determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that the Department will so inform the party submitting the response and will, to the extent practicable, provide that party the opportunity to remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, the Department may disregard all or part of the original and subsequent responses, as appropriate.

Section 776(b) of the Act further provides that the Department may use an adverse inference in applying the facts otherwise available when a party has failed to cooperate by not acting to the best of its ability to comply with a request for information. Such an adverse inference may include reliance on information derived from the petition, the final determination, a previous administrative review, or other information placed on the record.

⁶⁹ See SSRP at 7.

⁷⁰ See RSC at 8.

⁷¹ *Id.* and RSC at Exhibit 2. See, also, Surrogate Country Memorandum at Exhibit “Summary.”

⁷² See *High Pressure Steel Cylinders From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 77 FR 26739 (May 7, 2012), and accompanying IDM at Comments I and II.

⁷³ We note that the Thai financial statements used in these preliminary results were placed on the record by US&F.

Jiangsu RC reported that its producer of the subject merchandise, Hott, performs certain manufacturing processes and outsources (tolls) other manufacturing processes.⁷⁴ According to Jiangsu RC, it was unable to obtain the FOP and consumption rates used in the tolled processes despite its effort to do so.⁷⁵ As a result, we lack necessary FOP data and the application of “facts otherwise available” is warranted.

As discussed above, pursuant to section 776(b) of the Act, the Department may use facts otherwise available with an adverse inference when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. Here, we preliminarily determine Jiangsu RC has not failed to cooperate with respect to obtaining the requested FOPs. Jiangsu RC documented its unsuccessful attempts to obtain the requested FOPs.⁷⁶ Therefore, consistent with our practice, we are selecting from among the facts available without applying an adverse inference.⁷⁷

In lieu of the FOPs/consumption for the tolled processes, Jiangsu RC placed on the record of this administrative review, the public version of a respondent’s Section D response from the 15th administrative review.⁷⁸ This exhibit shows ranged FOPs/consumption rates of processes similar to those involved in the Jiangsu RC’s tolled processes.⁷⁹ In its Pre-Preliminary Comments, Shakeproof argues that the Department should use the FOPs/consumption made publicly available by Guoxin.⁸⁰ Shakeproof also argues that the Section D response from the 15th administrative review placed on the record by Jiangsu RC lists certain processes that precede Jiangsu RC’s tolled processes and that the Department should also use those FOPs/consumption rates in calculating Jiangsu RC’s margin.⁸¹ In US&F’s Pre-Preliminary Comments, US&F also argues that the Department should rely on Guoxin’s FOP/consumption data but that it should not add the FOPs for which Shakeproof argues because these FOPs were neither reported by, nor used, in the production of Jiangsu RC’s HSLW.⁸²

For the preliminary results, we determine not to use Guoxin’s reported FOP/consumption factors. As noted, above, Guoxin ceased participating in this administrative review, and we therefore, cannot solicit additional information from Guoxin or verify any of the information it submitted on the record.⁸³ Accordingly, we determine that we cannot use the information submitted by Guoxin. Instead, we preliminarily determine to use the Section D response from the 15th administrative review placed on the record by Jiangsu RC as this is best FOP information

⁷⁴ See JCDR at 2.

⁷⁵ *Id.*

⁷⁶ See JCDQR at Exhibit D-2.

⁷⁷ See, e.g., *Small Diameter Graphite Electrodes From the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Partial Rescission; 2011–2012*, 78 FR 14964 (March 8, 2013), unchanged in *Small Diameter Graphite Electrodes From the People’s Republic of China: Final Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 55680 (September 11, 2013).

⁷⁸ See JCDR at Exhibit D-12.

⁷⁹ *Id.*

⁸⁰ See SPP at 6 and SRPP at 2.

⁸¹ *Id.*

⁸² See RPP at 2-3.

⁸³ See Shakeproof Letter, “Certain HSLWs from China; 20th Administrative Review Factual Information Related to Respondent Company Ownership” dated August 14, 2014.

available that is on the record and it can serve as a substitute for the missing FOP information.⁸⁴ With respect to the FOPs/consumption rates tied to the processes preceding Jiangsu RC's tolled processes, we preliminarily determine not to add these FOPs in calculating Jiangsu RC's margin. Information submitted on Jiangsu RC's production process does not include the additional production processes that the respondent from the 15th administrative review undertook.⁸⁵ However, the Department intends to request more information from Jiangsu RC after these preliminary results.

FAIR VALUE COMPARISONS

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates individual dumping margins by comparing weighted-average NVs to weighted-average EPs or Constructed Export Prices (CEPs) (the average-to-average (A-A) method) unless the Department determines that another method is appropriate in a particular situation. In antidumping duty investigations, the Department examines whether to compare weighted-average NVs to the EPs or CEPs of individual transactions (the average-to-transaction (A-T) 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 strictly govern the Department's examination of this question in the context of administrative reviews, the Department finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping duty investigations.⁸⁶ In recent investigations and reviews, the Department applied a "differential pricing" analysis to determine whether application of A-T 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.⁸⁷ The Department finds the differential pricing analysis 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 A-A method in calculating weighted-average dumping margins.⁸⁸

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers,

⁸⁴ See Surrogate Value Memorandum for more detail.

⁸⁵ See JCDR at Exhibit D-3.

⁸⁶ 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 IDM at Comment 1.

⁸⁷ See *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 *Polyester Staple Fiber from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 17637 (March 22, 2013), and accompanying Preliminary Decision Memorandum, unchanged in *Polyester Staple Fiber From Taiwan: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 38938 (June 28, 2013).

⁸⁸ *Id.*

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 code. Regions are defined using the reported destination code (*e.g.*, zip codes or cities) 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 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 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” – the second stage of the analysis – assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the A-T method to all sales as an alternative to the A-A 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 A-T method to those sales identified as passing the Cohen’s *d* test as an alternative to the A-A method, and application of the A-A 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 A-A 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, we examine whether using only the A-A 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 A-A method only. If the

difference between the two calculations is meaningful, this demonstrates that the A-A 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 A-A 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.

Results of the Differential Pricing Analysis

For Jiangsu RC, based on the results of the differential pricing analysis, the Department finds that 77.1 percent of Jiangsu RC's export sales confirm the existence of a pattern of EPs for comparable merchandise that differs significantly among purchasers, regions or time periods.⁸⁹ As such, the Department finds that these results support consideration of an alternative to the average-to-average method. When comparing the weighted-average dumping margin calculated using the standard average-to-average method and the weighted-average margin calculated using the appropriate alternative method, there is not a meaningful difference in the results.⁹⁰ Accordingly, the Department preliminarily determines to use a standard average-to-average method in making comparisons of EP and NV for Jiangsu RC.

U.S. Price

In accordance with section 772(a) of the Act, we based Jiangsu RC's U.S prices on EPs, because its first sales to an unaffiliated purchaser were made before the date of importation and the use of CEPs was not otherwise warranted by the facts on the record. As appropriate, we deducted certain foreign inland freight, brokerage and handling, and international movement costs from the starting price (or gross unit price), in accordance with section 772(c)(2) of the Act. For the inland freight, international freight and brokerage and handling services provided by an NME vendor or paid for using an NME currency, the Department based the deduction of these charges on SVs.⁹¹

⁸⁹ See the preliminary analysis memoranda for Jiangsu RC, "Preliminary Results of the Eighteenth Administrative Review of Helical Spring Lock Washers from the People's Republic of China: Analysis of the Preliminary Results Margin Calculation for Jiangsu RC Import & Export Co., Ltd." dated concurrently with this decision memorandum.

⁹⁰ *Id.*

⁹¹ See Surrogate Value Memorandum for details regarding the SVs for movement expenses.

Value Added Tax

In its Pre-Preliminary Comments, Shakeproof argues that the Department should deduct the amount of irrecoverable VAT from Jiangsu RC's EP.⁹² US&F argues that section 772(c)(2)(B) of the Act allows the Department to deduct an "export tax" from EP/CEP and that a VAT is not an export tax.⁹³

In 2012, the Department announced a change of methodology with respect to the calculation of the EP and CEP to include an adjustment of any un-refunded (herein irrecoverable) VAT in certain NME countries in accordance with section 772(c)(2)(B) of the Act.⁹⁴ In this announcement, the Department stated that when a NME country's government has imposed 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.⁹⁵ In a typical VAT system, companies do not incur any VAT expense; they receive on export a full rebate of the VAT they pay on purchases of inputs used in the production of exports ("input VAT"), and, in the case of domestic sales, the company can credit the VAT they pay on input purchases for those sales against the VAT they collect from customers. This stands in contrast to the PRC's VAT regime, where some portion of the input VAT that a company pays on purchases of inputs used in the production of exports is not refunded.⁹⁶ This amounts to a tax, duty or other charge imposed on exports that is not imposed on domestic sales and we, thus, disagree with US&F. Where this irrecoverable VAT is a fixed percentage of EP, the Department explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. EP downward by this same percentage.⁹⁷ For these preliminary results, we determined to reduce Jiangsu RC's U.S. EP as explained below.

The Department's methodology essentially amounts to performing two basic steps: (1) determine the irrecoverable VAT on subject merchandise, and (2) reduce U.S. price by the amount determined in step one. Information placed on the record of this administrative review indicates that, according to the Chinese VAT schedule, the standard VAT levy is 17 percent and the rebate rate for the export of subject merchandise is zero.⁹⁸ Therefore, for the purposes of this final determination, we removed from U.S. price the difference between the rates (17 percent), which is the irrecoverable VAT as defined under Chinese tax law and regulation.⁹⁹

We disagree with US&F's claims that we do not have the statutory authority to adjust for irrecoverable VAT, or that our methodology unlawfully re-interprets section 772(c)(2)(B) of the

⁹² See JPPC at 5.

⁹³ See RPP at 4.

⁹⁴ 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, 36484 (June 19, 2012) (*Methodological Change*).

⁹⁵ *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 IDM at Comment 5.

⁹⁶ See JCDR at 22 and Exhibit C-2.

⁹⁷ See *Methodological Change*, 77 FR at 36483.

⁹⁸ See JCDR at 22 and Exhibit C-2.

⁹⁹ *Id.*

Act. Section 772(c)(2)(B) of the Act authorizes us to deduct from EP or CEP the amount, if included in the price, of any “export tax, duty, or other charge imposed by the exporting country on the exportation” of the subject merchandise. US&F argues that PRC VAT is not an export tax, duty or charge, but it misstates what is at issue: the irrecoverable VAT, not VAT *per se*. It is VAT paid on inputs and raw materials (used in the production of exports) that is non-refundable and, therefore, a cost. Irrecoverable VAT is, therefore, an “export tax, duty, or other charge imposed” on exportation of the subject merchandise to the United States.¹⁰⁰ The statute does not define the term(s) “export tax, duty, or other charge imposed” on the exportation of subject merchandise.¹⁰¹ We find it reasonable to interpret these terms as encompassing irrecoverable VAT because irrecoverable VAT is a cost that arises as a result of export sales. Further, an adjustment for irrecoverable VAT achieves what is called for under section 772(c)(2)(B) of the Act, as it reduces the gross U.S. price charged to the customer to a net price received. This deduction is consistent with our longstanding policy, which is consistent with the intent of the statute, that dumping margin calculations be tax-neutral.¹⁰²

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine the 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.

Factor Valuations

In accordance with section 773(c) of the Act, we calculated NV based on the FOPs reported by Jiangsu RC for the POR. As stated above, we used Thai import data and data from other publicly available Thai sources in order to calculate SVs for Jiangsu RC’s FOPs. To calculate NV, we multiplied the reported per-unit FOP quantities by publicly available SVs.¹⁰³ As noted, 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.¹⁰⁴

As appropriate, we added freight costs to the surrogate values that we calculated for Jiangsu RC’s material inputs to make these prices reflect delivered prices. We calculated these freight costs by

¹⁰⁰ See *Diamond Sawblades and Parts Thereof From the People’s Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 35723 (June 24, 2014), and accompanying IDM at Comment 6.

¹⁰¹ *Id.*

¹⁰² See Article 5(3) of Circular 39 that states, “(3) Where the Tax Refund Rate is lower than the applicable tax rate, the amount of tax calculated according to the difference in rates shall be included in the costs of the Exported Goods and Services.”; see also *Methodological Change*, 77 FR at 36483, and *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27369 (May 19, 1997) (citing Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-106, vol. 1, 827, reprinted in 1995 U.S.C.C.A.N. 3773, 4172).

¹⁰³ See Surrogate Value Memorandum for further details.

¹⁰⁴ 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 IDM at Comment 2.

multiplying surrogate freight rates by the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest port facility to the factory that produced the subject merchandise, as appropriate. This adjustment is in accordance with the decision of the Federal Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, we adjusted SVs for inflation, exchange rates, and taxes, and we converted all applicable FOPs to a per-kilogram basis.

In accordance with the legislative history of the Omnibus Trade and Competitiveness Act of 1988, we continue to disregard SVs if we have a reason to believe or suspect the inputs reflected in the source data may be subsidized or dumped.¹⁰⁵ We have reason to believe or suspect that prices of inputs from India, Indonesia, and South Korea may have been subsidized because we have found, in other proceedings, that these countries maintain broadly available, non-industry-specific export subsidies.¹⁰⁶ Therefore, we preliminarily determine that exports to all markets from these countries may be subsidized.¹⁰⁷ 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.¹⁰⁸ 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 we could not be certain that they were not from either an NME country or a country with general export subsidies.¹⁰⁹ Therefore, we did not use prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

We used Thai Import Statistics from the GTA to value the raw and packing material inputs that Jiangsu RC used to produce subject merchandise during the POR.

To value the freight-in cost of raw materials, we relied on *Doing Business Thailand 2014 (Doing Business)*.¹¹⁰ The value for truck freight in *Doing Business* is publicly available and

¹⁰⁵ See Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988).

¹⁰⁶ 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 IDM 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 IDM 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 IDM at 17, 19-20.

¹⁰⁷ 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 IDM at Comment 7.

¹⁰⁸ 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).

¹⁰⁹ 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).

¹¹⁰ See Surrogate Value Memorandum at 18 and 19.

contemporaneous with the POR because the data in *Doing Business* is current as of June 1, 2012, which is within the POR.

To value domestic brokerage and handling, we also used the information in *Doing Business*.¹¹¹ This source provides a price list based on a survey case study of the procedural requirements necessary to export a standardized cargo of goods by ocean transit from Thailand. We calculated the cost per kg by dividing the *Doing Business*' average brokerage and handling expense by the maximum payload weight of a 20' container.¹¹² Because data reported in this source were current as of June 1, 2014, and, thus are contemporaneous with the POR, we did not inflate the SV for domestic brokerage and handling expenses.

To value the ocean-freight expense for the subject merchandise from the port of export to the U.S. port of disembarkation, we used publicly available data collected from [Maersk Line ocean freight rates](#). Historical freight rates in effect during the POR for shipments of HSLWs from the port/reported by the respondent in this review were collected. We averaged the rates to obtain a single POR-average freight rate.

We valued marine insurance using a price quote retrieved from RJG Consultants, online at www.rjgconsultants.com, an ME provider of marine insurance.¹¹³ We did not inflate these two rates because they are contemporaneous with the POR.¹¹⁴

To value labor cost, we calculated an hourly labor rate using industry-specific data for the primary surrogate country, Thailand. The data were provided by the NSO and are specific to the manufacture of HSLWs. We used the Thailand Consumer Price Index to inflate the value of labor to the POR because NSO data were available for 2006.¹¹⁵

US&F and Shakeproof submitted comments in their Pre-Preliminary Comments regarding the six financial statements on the record. To value factory overhead, selling, general and administrative expenses, and profit, we preliminary determine to use three of the 2013 financial statements on the record.¹¹⁶ US&F placed the following financial statements on record of this review: Siam Anchor Fastener Industry Co., Ltd. (Siam), System 3 Co., Ltd. (System 3), TPC Stainless & Steel Fasteners Co., Ltd. (TPC) and Bangkok Fastening Co., Ltd. (Bangkok Fastening)¹¹⁷

With respect to Siam, Shakeproof argues that record evidence indicates that Siam is engaged in "the business of metal part production" but that no further evidential detail is provided and thus, the Department cannot ascertain whether Siam is a producer of comparable merchandise.¹¹⁸ US&F cites Exhibit 11-A of its RFOP and argues that the record evidence, *i.e.*, a screen shot of

¹¹¹ *Id.*, at 19.

¹¹² *Id.*, at Exhibit 3.

¹¹³ *Id.*, at Exhibit 5.

¹¹⁴ *Id.*, at Exhibit 1, Surrogate Value tab, Exhibit 4, and Exhibit 5.

¹¹⁵ *Id.*, at Exhibit 1, Surrogate Value tab and CPI tab.

¹¹⁶ See Surrogate Value Memorandum for further details.

¹¹⁷ See US&F letter "First Surrogate Value Submission: Administrative Review of the Antidumping Order on Helical Spring Lock Washers from the People's Republic of China" dated August 18, 2014 (RFOP) at Exhibits 11-A, 11-B, 11-C, and 11-D.

¹¹⁸ See SPP at 8.

Siam’s website, demonstrates that Siam produces bolts and other types of anchors and fittings.¹¹⁹ Shakeproof argues that, at best, the screen shot only proves that Siam’s website is under construction.¹²⁰ For these preliminary results, we determine that Siam is a producer of comparable merchandise. While Exhibit 11-A of US&F’s RFOP indicates that Siam’s website is under construction, it nonetheless indicates that it is engaged in the business of “bolt” and “anchoring system.” With respect to System 3, Shakeproof argues System 3 is also not a manufacturer of comparable merchandise as the record indicates that it is in the business of “manufacturing and distributing electrical equipment.¹²¹ US&F argues that the record does indicate that System 3 is engaged in producing bolts, nuts, clamps, and connectors and that even if this line of System 3’s business comprises a small portion, the Department should consider it sufficient.¹²²

For these preliminary results, we determine that System 3 is a producer of comparable merchandise, as its business scope includes connectors, nuts, and bolts, which we believe represent comparable merchandise and there is no information on the record which discusses the percentage of total sales for which connectors, nuts, and bolts account. With respect to TPC, Shakeproof argues that TPC’s financial statements indicate that it received a “non-interest bearing” loan from “related parties” and that TPC’s financial statements are therefore understated and distorted.¹²³ Notwithstanding this, US&F argues that, TPC’s financial statements are sufficiently detailed.¹²⁴

In accordance with our practice, we preliminarily determine that the record supports the conclusion that TPC received non-interest bearing loans and, therefore, TPC’s financial statements may be understated and distorted and thus unusable for these preliminary results.¹²⁵ Lastly, with respect to Bangkok Fastening, Shakeproof argues that the Department should reject these financial statements as the last page is not fully translated.¹²⁶ US&F argues that Bangkok Fastening’s financial statements are sufficiently detailed for the Department’s purpose and suggest that the last page is a proforma sheet.¹²⁷ For these preliminary results, we determine that the financial statements of Bangkok Fastening’s, which is involved in the production of “screws and nuts,”¹²⁸ is sufficiently detailed for the purposes of calculating accurate financial ratios.¹²⁹

Shakeproof placed on the record of this review the financial statements of Mahajak Autoparts Co., Ltd. (Mahajak) and Hitech Fastener Manufacturer (Thailand) Ltd. (Hitech).¹³⁰ With respect to Mahajak, record evidence demonstrates that “{t}he company engages in the business of

¹¹⁹ See RPP at 11.

¹²⁰ See SPP at 8.

¹²¹ *Id.*

¹²² See RPP at 11.

¹²³ See SPP at 8 - 9.

¹²⁴ See RPP at 13.

¹²⁵ See MLWF 2011-2012 AR, IDM at 6.

¹²⁶ See SPP at 9.

¹²⁷ See RPP at 12 – 13.

¹²⁸ See RFOP at Exhibit 11-D

¹²⁹ See *In Ass’n of Am. Sch. Paper Suppliers v. United States*, 791 F. Supp. 2d 1292, 1304-1305 (CIT 2011)(upholding the Department’s practice of using an incomplete financial statement where it is the best available information, and critical information is not missing or incomplete).

¹³⁰ See Shakeproof letter “Certain HSLWs from China; 20th Administrative Review Factual Information Related to Surrogate Values” dated August 14, 2014 (RFOP) at Exhibits 8 and 9.

manufacture and distribution of automotive parts, *nuts, bolts*, as well as services hire.”¹³¹ Shakeproof argues that Mahajak satisfies the Department’s criteria for usable financial statements.¹³² For these preliminary results, we determine that Mahajak does produce comparable merchandise since its business scope includes nuts and bolts.¹³³ Finally, with respect to Hitech, record evidence demonstrates that “[t]he Company has received investment promotion for manufacture of screws... and manufacture of metal wire and products deriving from metal wires.”¹³⁴ US&F argues that Hitech’s financial statements are not sufficiently detailed as evidence by a blank “Energy” column and a basket category of “Administrative Expense” line item.¹³⁵ Shakeproof argues that Hitech’s financial statements are sufficiently detailed asserting that Note 16 provides a detailed breakout of administrative expenses.¹³⁶ For these preliminary results, we determine that 1) Hitech is a manufacturer of comparable merchandise and that 2) Hitech’s financial statements are sufficiently detailed for the purposes of calculating accurate financial ratios.

In addition to preliminarily determining that Siam, System 3, Bangkok Fastenings, Mahajak, and Hitech Fastener are producers of comparable merchandise, we also determine that these financial statements are usable for these preliminary results, *i.e.*, are contemporaneous, sufficiently detailed in disaggregate individual expenses, and are without any countervailable subsidies.

CURRENCY CONVERSION

In accordance with section 773A(a) of the Act, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. These exchange rates are available on the Enforcement and Compliance’s website at <http://enforcement.trade.gov/exchange/index.html>.

¹³¹ See Shakeproof letter “Certain HSLWs from China; 20th Administrative Review Factual Information Related to Surrogate Values” dated August 14, 2014 (SFOP) at Exhibit 8, emphasis added.

¹³² See SPPC at 7.

¹³³ Due to our determination with respect to Mahajak’s business scope, we do not reach US&F’s arguments regarding the adequacy of Mahajak’s financial statements. See RPPC at 8 – 9.

¹³⁴ See Shakeproof SFOP at Exhibit 9.

¹³⁵ See US&F RPPC at 10.

¹³⁶ See SRPPC at 3.

RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

Agree

Disagree

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

(Date)