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International Trade Administration  
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March 31, 2015

**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 2013-2014  
Antidumping Duty Administrative Review: Frontseating Service  
Valves from the People's Republic of China

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## SUMMARY

In response to a request from an interested party, the Department of Commerce ("the Department") is conducting an administrative review of the antidumping duty order on frontseating service valves ("FSVs") from the People's Republic of China ("PRC") for the period of review ("POR") April 1, 2013, through April 28, 2014. The Department preliminarily finds that Zhejiang Sanhua Co., Ltd. ("Sanhua") made no sales of subject merchandise at less than normal value ("NV") during the POR.

If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection ("CBP") to assess antidumping duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. Unless otherwise extended, 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 April 1, 2014, the Department published a notice of opportunity to request an administrative review of the antidumping duty order on FSVs from the PRC for the POR April 1, 2013, through



March 31, 2014.<sup>1</sup> On April 29, 2014, Sanhua requested a review of itself.<sup>2</sup> No other parties requested a review covering the POR. On May 14, 2014, we revoked the order with respect to FSVs effective as of April 28, 2014.<sup>3</sup>

On May 22, 2014, the Department initiated an administrative review of the antidumping duty order on FSVs from the PRC.<sup>4</sup> We issued a questionnaire to Sanhua on June 4, 2014.<sup>5</sup> On June 23, 2014, the Department exercised its discretion to extend the current POR to cover sales of subject merchandise made in the United States by Sanhua during the 28-day period between the end of the current POR and the effective date of the revocation of the order.<sup>6</sup>

On July 2, 2013, Sanhua submitted its original Section A response (“AQR”),<sup>7</sup> and its original Section C and D responses (“CQR” and “DQR”) on August 11, 2014 (collectively, the “Original Questionnaire Response”).<sup>8</sup> Sanhua submitted its supplemental A, C and D questionnaire on October 20, 2014 (collectively the “1<sup>st</sup> SQR”).<sup>9</sup> On January 13, 2015, Sanhua submitted its second supplemental questionnaire (“2<sup>nd</sup> SQR”).<sup>10</sup>

The Department issued its list of surrogate countries on September 4, 2014<sup>11</sup> and offered parties an opportunity to comment on the list of potential surrogate countries.<sup>12</sup> None of the parties to the proceeding submitted comments on that list. October 13, 2014, Sanhua submitted comments on the selection of surrogate values (“SVs”).<sup>13</sup> On November 3, 2014, Sanhua submitted further

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<sup>1</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 79 FR 18260 (April 1, 2014).

<sup>2</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Request for §751 Administrative Review of Exports by Zhejiang Sanhua Co., Ltd.,” dated April 29, 2014.

<sup>3</sup> See *Frontseating Service Valves From the People’s Republic of China: Final Results of Sunset Review and Revocation of Antidumping Duty Order*, 79 FR 27573 (May 14, 2014).

<sup>4</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 79 FR 30809 (May 29, 2014) (“Initiation Notice”).

<sup>5</sup> See letter from the Department, “Frontseating Service Valves from the People’s Republic of China: Questionnaire,” dated June 4, 2014.

<sup>6</sup> See Memorandum to the File, “2013-2014 Administrative Review of the Antidumping Duty Order on Frontseating Service Valves from the People’s Republic of China: Extension of the Period of Review,” dated June 23, 2014.

<sup>7</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Section A Response by Zhejiang Sanhua Co., Ltd.,” dated July 2, 2014 (“AQR”).

<sup>8</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Sections C and D Response by Zhejiang Sanhua Co., Ltd.,” dated August 11, 2014 (“CQR” and “DQR”).

<sup>9</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; 1<sup>st</sup> Supplemental Questionnaire Response by Zhejiang Sanhua Co., Ltd.,” dated October 20, 2014.

<sup>10</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; 2<sup>nd</sup> Supplemental Questionnaire Response by Zhejiang Sanhua Co., Ltd.,” dated January 15, 2015.

<sup>11</sup> See Memorandum from Carole Showers, Director, Office of Policy, “Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Frontseating Service Valves (“FSV”) from the People’s Republic of China (“China”), dated September 4, 2014 (“Surrogate-Country Memorandum”).

<sup>12</sup> See letter to all interested parties, “Frontseating Service Valves from the People’s Republic of China: 13-14 Review: Request for Surrogate Country and Surrogate Value Comments and Information,” dated September 17, 2014.

<sup>13</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Surrogate Value Comments,” dated October 13, 2014 (“Sanhua’s 1<sup>st</sup> Surrogate-Value Comments”).

SV comments.<sup>14</sup> Sanhua submitted additional SV comments on December 1, 2014, in accordance with 19 CFR 351.301(c)(3).<sup>15</sup> No other party provided comments on the selection of surrogate values.

On December 1, 2014, we extended the time limit for the preliminary results of review by 90 days, pursuant to section 751(a)(3)(A) of the Act, to March 31, 2015.<sup>16</sup>

### Scope of the Order

The merchandise covered by this order is frontseating service valves, assembled or unassembled, complete or incomplete, and certain parts thereof. Frontseating service valves contain a sealing surface on the front side of the valve stem that allows the indoor unit or outdoor unit to be isolated from the refrigerant stream when the air conditioning or refrigeration unit is being serviced. Frontseating service valves rely on an elastomer seal when the stem cap is removed for servicing and the stem cap metal to metal seat to create this seal to the atmosphere during normal operation.<sup>17</sup>

For purposes of the scope, the term “unassembled” frontseating service valve means a brazed subassembly requiring any one or more of the following processes: the insertion of a valve core pin, the insertion of a valve stem and/or O ring, the application or installation of a stem cap, charge port cap or tube dust cap. The term “complete” frontseating service valve means a product sold ready for installation into an air conditioning or refrigeration unit. The term “incomplete” frontseating service valve means a product that when sold is in multiple pieces, sections, subassemblies or components and is incapable of being installed into an air conditioning or refrigeration unit as a single, unified valve without further assembly.

The major parts or components of frontseating service valves intended to be covered by the scope under the term “certain parts thereof” are any brazed subassembly consisting of any two or more of the following components: a valve body, field connection tube, factory connection tube or valve charge port. The valve body is a rectangular block, or brass forging, machined to be hollow in the interior, with a generally square shaped seat (bottom of body). The field connection tube and factory connection tube consist of copper or other metallic tubing, cut to length, shaped and brazed to the valve body in order to create two ports, the factory connection tube and the field connection tube, each on opposite sides of the valve assembly body. The valve

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<sup>14</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Surrogate Value information by Zhejiang Sanhua Co., Ltd.,” dated November 3, 2014 (“Sanhua’s 2nd Surrogate-Value Comments”).

<sup>15</sup> See letter from Sanhua, “Frontseating Service Valves from the People’s Republic of China; A-570-933; Additional Surrogate Value Information by Zhejiang Sanhua Co., Ltd.,” dated December 1, 2014 (“Sanhua’s Additional Surrogate-Value Comments”).

<sup>16</sup> See Memorandum to Christian Marsh entitled, “Frontseating Service Valves from the People’s Republic of China: Extension of Deadline for the Preliminary Results of Antidumping Duty Administrative Review,” dated December 1, 2014.

<sup>17</sup> The frontseating service valve differs from a backseating service valve in that a backseating service valve has two sealing surfaces on the valve stem. This difference typically incorporates a valve stem on a backseating service valve to be machined of steel, where a frontseating service valve has a brass stem. The backseating service valve dual stem seal (on the back side of the stem), creates a metal-to-metal seal when the valve is in the open position, thus, sealing the stem from the atmosphere.

charge port is a service port via which a hose connection can be used to charge or evacuate the refrigerant medium or to monitor the system pressure for diagnostic purposes.

The scope includes frontseating service valves of any size, configuration, material composition or connection type. Frontseating service valves are classified under subheading 8481.80.1095, and also have been classified under subheading 8415.90.80.85, of the Harmonized Tariff Schedule of the United States (“HTSUS”). It is possible for frontseating service valves to be manufactured out of primary materials other than copper and brass, in which case they would be classified under HTSUS subheadings 8481.80.3040, 8481.80.3090, or 8481.80.5090. In addition, if unassembled or incomplete frontseating service valves are imported, the various parts or components would be classified under HTSUS subheadings 8481.90.1000, 8481.90.3000, or 8481.90.5000. The HTSUS subheadings are provided for convenience and customs purposes, but the written description of the scope of this proceeding is dispositive.

## DISCUSSION OF THE METHODOLOGY

### Nonmarket Economy Country

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

### Separate Rates

Pursuant to section 771(18)(C)(i) of the Act, a designation of a country as an NME remains in effect until it is revoked by the Department. Accordingly, 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.<sup>19</sup>

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.<sup>20</sup> 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

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<sup>18</sup> See, e.g., *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Preliminary Results of the First Administrative Review, Preliminary Rescission, in Part, and Extension of Time Limits for the Final Results*, 76 FR 62765, 62767-68 (October 11, 2011), unchanged in *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Final Results and Partial Rescission of First Antidumping Duty Administrative Review*, 77 FR 21734 (April 11, 2012).

<sup>19</sup> See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People’s Republic of China*, 71 FR 53079, 53082 (September 8, 2006).

<sup>20</sup> See *Initiation Notice*, 79 FR at 30809-10.

established in *Sparklers*,<sup>21</sup> as further developed by *Silicon Carbide*.<sup>22</sup> However, if the Department determines that a company is wholly foreign-owned, then a separate rate analysis is not necessary to determine whether it is independent from government control.<sup>23</sup>

The Department received a complete Section A response to the NME antidumping questionnaire from Sanhua, which contained information pertaining to its eligibility for a separate rate.<sup>24</sup> Sanhua's submission does not indicate that Sanhua is wholly foreign-owned.<sup>25</sup> Therefore, the Department must analyze whether Sanhua can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

*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.<sup>26</sup>

The evidence provided by Sanhua supports a preliminary finding of *de jure* absence of governmental control based on the following: (1) an absence of restrictive stipulations associated with the individual exporters' business and export licenses;<sup>27</sup> (2) there are applicable legislative enactments decentralizing control of the companies;<sup>28</sup> and (3) there are formal measures by the government decentralizing control of companies.<sup>29</sup>

*b. Absence of De Facto Control*

Typically, the Department considers four factors in evaluating whether each respondent is subject to *de facto* governmental control of its export functions: (1) whether the export prices ("EPs") are set by or are subject to the approval of a governmental 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.<sup>30</sup> The Department determined that an analysis of *de facto* control is critical in determining whether respondents are,

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<sup>21</sup> 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*").

<sup>22</sup> 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*").

<sup>23</sup> 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).

<sup>24</sup> See AQR.

<sup>25</sup> *Id.*, at A-2 and Exhibit A-3.

<sup>26</sup> See *Sparklers*, 56 FR at 20589.

<sup>27</sup> See AQR at A-2 through A-14; see also Exhibits A-3 and A-4.

<sup>28</sup> *Id.*, at A-6 and Exhibit A-2.

<sup>29</sup> *Id.*, at A-8 to A-9.

<sup>30</sup> 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).

in fact, subject to a degree of governmental control which would preclude the Department from assigning separate rates.

For Sanhua, 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) Sanhua sets its own prices independent of the government authority; (2) Sanhua retains the proceeds from its sales and makes independent decisions regarding disposition of profits or financing of losses; (3) Sanhua has the authority to negotiate and sign contracts and other agreements; and (4) Sanhua has autonomy from the government regarding the selection of management.<sup>31</sup>

The evidence placed on the record of this review by Sanhua supports a finding of an absence of *de jure* and *de facto* government control with respect to its exports of the merchandise under review, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Therefore, we are preliminarily granting Sanhua separate-rate status.

#### Surrogate Country and Surrogate Value Data

As stated above, the Department issued its list of surrogate countries on September 17, 2014, and Sanhua subsequently submitted comments on the selection of SVs. Our analysis of these comments and the relevant record evidence follow.

#### Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base NV, in most circumstances, on the NME producer's factors of production ("FOP"), 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.<sup>32</sup> The Department determined that Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand are countries at the same level of economic development as the PRC based on per capita gross national income ("GNI").<sup>33</sup> The sources of the SVs we used in this review are discussed in the "Normal Value" section below.

None of the parties to the proceeding provided comments concerning the six countries identified in the Surrogate-Country Memorandum or the selection of the surrogate country.

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<sup>31</sup> See AQR at A-9 to A-14.

<sup>32</sup> See Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) ("*Policy Bulletin*").

<sup>33</sup> See Surrogate-Country Memorandum at 2.

## Economic Comparability

As explained in our Surrogate-Country Memorandum, the Department considers Bulgaria, Colombia, Ecuador, Indonesia, South Africa, and Thailand all to be at the same level of economic development as the PRC.<sup>34</sup> Section 773(c)(4) of the Act is silent with respect to how the Department may determine that a country is at the same level of economic development as the NME country. As explained in the Department's *Policy Bulletin*, "{t}he surrogate countries on the list are not ranked."<sup>35</sup> This lack of ranking reflects the Department's long-standing practice that, for the purpose of surrogate country selection, the countries on the list "should be considered equivalent" from the standpoint of their level of economic development, based on per capita GNI as compared to the PRC's level of economic development.<sup>36</sup> This also recognizes that the "level" in an economic development context necessarily implies a range of per capita GNI, not a specific per capita GNI.<sup>37</sup> The Department's long-standing practice of selecting, if possible, a surrogate country from a non-exhaustive list of countries at the same level of economic development as the NME country, or another country at the same level of economic development, fulfills the statutory requirement to value factors of production, to the extent possible, using data from "one or more market economy countries that are at a level of economic development comparable to that of the nonmarket economy country . . . ."<sup>38</sup> In this regard, "countries that are at a level of economic development comparable to that of the NME country" necessarily includes countries that are at the same level of economic development as the NME country.

Accordingly, unless we find that all of the countries determined to be at the same level of economic development as the PRC are not significant producers of comparable merchandise, are not reliable sources of publicly-available SV data, are not suitable for use based on other reasons, or we find that another country not on the list is at the same level of economic development and is an appropriate surrogate, we will rely on data from one of these countries.<sup>39</sup> Therefore, we consider all six countries identified in the Surrogate-Country Memorandum as having met this prong of the surrogate country selection criteria.

## Significant 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,

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<sup>34</sup> See Surrogate-Country Memorandum at 2.

<sup>35</sup> See *Policy Bulletin*.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> See section 773(c)(4) of the Act.

<sup>39</sup> See, e.g., *Fresh Garlic From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2010-2011*, 77 FR 73980 (December 12, 2012) and accompanying Preliminary Decision Memorandum at 8-12, unchanged in *Fresh Garlic From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010-2011*, 78 FR 36168 (June 17, 2013).

the country qualifies as a producer of comparable merchandise. In cases where the identical merchandise is not produced, the team must determine if other merchandise that is comparable is produced.”<sup>40</sup> Further, the statute grants the Department discretion to examine various data sources for determining the best available information.<sup>41</sup>

In this case, the record shows that all of the potential surrogate countries identified in the Department’s Surrogate-Country Memorandum have significant exports of the comparable merchandise.<sup>42</sup> Thus, because none of the potential surrogate countries have been definitively disqualified through the above analysis, the Department looks to the availability of SV data to determine the most appropriate surrogate country.

### Data Availability

When evaluating SV data, the Department considers several factors including whether the SV data is publicly available, contemporaneous with the POR, representative of broad-market averages, from an approved surrogate country, tax and duty-exclusive, and specific to the input.<sup>43</sup> 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.<sup>44</sup> Sanhua placed complete SV information on the record for all material inputs from Bulgaria covering the prior period of review.<sup>45</sup> The Department placed on the record of this review, the Thai financial statements underlying the calculation of the surrogate financial ratios in the previous POR.<sup>46</sup>

As in the final results of the last review, the Department evaluated the HTS categories for brass bar and rod for all of the other countries on the Surrogate-Country List, and determined that Bulgaria alone provided HTS categories specific to brass bar and rod that did not include profiles, which is at a higher level of manufacturing than brass bar and rod, and is therefore, not comparable to the inputs used to produce the subject merchandise.<sup>47</sup> Similarly, the Department evaluated the HTS categories for brass scrap for all of the countries on the Surrogate-Country List, and determined that Bulgaria alone provided HTS subcategories that separated brass and

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<sup>40</sup> See *Policy Bulletin* at 2.

<sup>41</sup> See section 773(c) of the Act; see also *Nation Ford Chem. Co. v. United States*, 166 F.3d 1373, 1377 (Fed. Cir. 1999).

<sup>42</sup> See Memorandum to the File, “2013-2014 Administrative Review of the Antidumping Duty Order on Frontseating Service Valves from the People’s Republic of China: Factor Valuation Memorandum for the Preliminary Results of Review,” dated concurrent with this memorandum (“Preliminary Factor Valuation Memorandum”) at Attachment 2.

<sup>43</sup> See, e.g., *Certain Activated Carbon from the People’s Republic of China; 2010-2011; Final Results of Antidumping Duty Administrative Review*, 77 FR 67337 (November 9, 2012), and accompanying Issues and Decision Memorandum at 8.

<sup>44</sup> See *Policy Bulletin*.

<sup>45</sup> See Sanhua’s 2nd Surrogate-Value Comments at SV-2, and Additional Surrogate-Value Comments at ASV-1.

<sup>46</sup> See Memorandum to the File, “2013-2014 Administrative Review of the Antidumping Duty Order on Frontseating Service Valves from the People’s Republic of China: Transmit Grand D.K. Co., Ltd. (“Grand D.K.”)’s Financial Statements to the Record of this Review,” dated December 3, 2014.

<sup>47</sup> See Preliminary Factor Valuation Memorandum Attachment 3. See also *Frontseating Service Valves from the People’s Republic of China; Final Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 71385 (December 2, 2014) (“*FSVs 12-13 Final Results*”) accompanying Issues and Decision Memorandum at Comment 1.

copper scrap, and therefore, provided SVs that were specific to both the brass and copper scrap byproducts produced by Sanhua.<sup>48</sup>

As a consequence, the Department preliminarily determines that Bulgaria provides the best available information to value brass bar and rod and brass scrap. Because Bulgaria provides the best available information for the primary input (brass bar and rod), the most significant input into the subject merchandise, and the byproduct (brass scrap), the most significant material offset used in the determination of the normal value, the Department preliminarily determines that Bulgaria represents the best choice as the primary surrogate country for this review in accordance with section 773(c)(4) of the Act. The Department based its decision on the following: (1) Bulgaria is at the same level of economic development as the PRC; (2) Bulgaria is a significant producer of comparable merchandise; (3) Bulgaria has the best available information for valuing brass bar and rod, the most significant input into the subject merchandise, as well as for brass scrap, the most significant byproduct generated in the production of subject merchandise. Therefore, we will value all of Sanhua's FOPs using data from Bulgaria, with the exception of the surrogate financial ratios. Consistent with the previous review, we determine to value Sanhua's surrogate financial ratios from Thailand because we have usable surrogate financial statements on the record for a Thai producer of identical merchandise and because we have no surrogate financial statements on the record for a Bulgarian producer of identical or comparable merchandise.<sup>49</sup> There is no available data on the record from the remaining countries on the surrogate country list for any raw materials, packing materials and/or usable surrogate financial statements.

#### Date of Sale

19 CFR 351.401(i) states that:

In identifying the date of sale of the subject merchandise or foreign like product, the Secretary normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business. However, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.<sup>50</sup>

After examining the questionnaire responses and the sales documentation Sanhua placed on the record, we preliminarily find that we should follow our regulatory presumption and use the invoice date as the date of sale for Sanhua because no party demonstrated that the material terms

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<sup>48</sup> See *Frontseating Service Valves from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; Preliminary Determination of No Shipments; 2012-2013*, 79 FR 30081 (May 27, 2014), unchanged in *FSVs 12-13 Final Results* accompanying Issues and Decision Memorandum at Comment 1.

<sup>49</sup> *Id.*

<sup>50</sup> 19 CFR 351.401(i); see also *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; *Allied Tube and Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-1092 (CIT 2001) (upholding the Department's rebuttable presumption that invoice date is the appropriate date of sale).

of sale were established on another date. To the contrary, the record evidence indicates that the terms of sale were set at the time when the commercial invoice was issued.<sup>51</sup>

### Comparisons to Normal Value

To determine whether Sanhua's sales of FSVs to the United States were made at less than normal value, we compared Sanhua's constructed export price ("CEP") to NV, as described in the "Constructed Export Price" and "Normal Value" sections below.

#### *A. Determination of Comparison Method*

Pursuant to 19 CFR 351.414(c)(1) (2012), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average CEPs (or EPs) ("the average-to-average ('A-A') method") unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction ("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 investigations.<sup>52</sup> In recent investigations, the Department applied a "differential pricing" analysis for determining 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.<sup>53</sup> The Department finds the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of CEPs (or EPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods.<sup>54</sup> 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

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<sup>51</sup> See AQR at A-19.

<sup>52</sup> 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.

<sup>53</sup> See also *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.

<sup>54</sup> As noted above, differential pricing was used in recent investigations. It was also used in the recent antidumping duty administrative review of polyester staple fiber from Taiwan. See *Polyester Staple Fiber from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 17637 (March 22, 2013).

evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer names. Regions are defined using the reported destination code (*i.e.*, zip codes) 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 CEP (or 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” 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 CEPs 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 CEPs 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.

### *B. Results of the Differential Pricing Analysis*

Based on the results of the differential pricing analysis, we find that 75.8 percent of Sanhua's U.S. sales pass the Cohen's *d* test, and confirm the existence of a pattern of prices for comparable merchandise that differ significantly among purchasers, regions, or time periods.<sup>55</sup> Further, the Department determines that the A-to-A method appropriately accounts for such differences because there is not a meaning difference in the weighted-average dumping margins calculated using the A-to-A method and an alternative method based on the A-to-T method applied to all U.S. sales. Accordingly, the Department preliminarily determined to use the A-A method for all U.S. sales to calculate the weighted-average dumping margin for Sanhua.

### Constructed Export Price

In accordance with section 772(b) of the Act, the CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under sections 772(c) and (d) of the Act. In accordance with section 772(b) of the Act, we used CEP for Sanhua's sales because the sales were made by U.S. affiliates in the United States.

We calculated CEP based on delivered prices to unaffiliated purchasers in the United States. We made adjustments, where applicable, to the reported gross unit prices for billing adjustments and early payment discounts, to arrive at the price at which the subject merchandise is first sold in the United States to an unaffiliated customer. We made deductions from the U.S. sales price for movement expenses in accordance with section 772(c)(2) of the Act. These included, where applicable, foreign inland freight from plant to the port of exportation, foreign brokerage and handling, ocean freight, marine insurance, U.S. inland freight from port of importation to the warehouse, U.S. freight from warehouse to customer, U.S. warehousing, U.S. customs duty, and U.S. brokerage and handling. In accordance with section 772(d)(1) of the Act, the Department deducted, where applicable, commissions, credit expenses, inventory carrying costs, and indirect selling expenses, all of which relate to commercial activity in the United States. In accordance with section 772(d) of the Act, we calculated Sanhua's credit expenses and inventory carrying

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<sup>55</sup> See Sanhua Preliminary Analysis Memorandum at Attachment 5, page 71.

costs based on its short-term interest rate. In addition, we deducted CEP profit in accordance with sections 772(d)(3) and 772(f) of the Act.<sup>56</sup>

### Value-Added Tax

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 (herein irrecoverable) VAT in certain non-market economies in accordance with section 772(c)(2)(B) of the Act.<sup>57</sup> 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.<sup>58</sup> Here the 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.<sup>59</sup>

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 Sanhua indicates that according to the Chinese VAT schedule, the standard VAT levy is 17 percent<sup>60</sup> and the rebate rate for subject merchandise is 15 percent.<sup>61</sup> 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.<sup>62</sup>

### Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using an FOP methodology if: (1) The merchandise is exported from an NME country; and (2) the information does not permit the calculation of NV using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. When determining NV in an NME context, the Department will base NV on FOPs because the presence of government controls on various aspects of these economies renders price comparisons and the calculation of production costs invalid under our normal methodologies. The Department's questionnaire requires that Sanhua provide information regarding the weighted-average FOPs across all of the company's plants and/or suppliers that produce the merchandise under consideration, not just the FOPs from a single plant or supplier. This methodology ensures that the Department's calculations are as

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<sup>56</sup> For a detailed description of all adjustments, see Sanhua Preliminary Analysis Memorandum.

<sup>57</sup> 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)(Methodological Change for Implementation of Section 772(c)(2)(B) of the Act).

<sup>58</sup> *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.

<sup>59</sup> *Id.*

<sup>60</sup> See CQR at C-38, see also 2<sup>nd</sup> SQR at 3.

<sup>61</sup> See 2<sup>nd</sup> SQR at 3.

<sup>62</sup> See Sanhua Preliminary Analysis Memorandum at Attachment 4, line 875.

accurate as possible.<sup>63</sup> Under section 773(c)(3) of the Act, FOPs used by Sanhua in the production of FSVs 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 based NV on Sanhua's reported FOPs for materials, energy, and labor.

Sanhua reported that it generated brass and copper scrap during the production process of merchandise under consideration and requested an offset for this scrap.<sup>64</sup> Sanhua established that it sold all of the brass and copper scrap that it produced during the POR.<sup>65</sup> Therefore, for these preliminary results, we granted Sanhua a by-product offset for brass and copper scrap because it demonstrated that there is commercial value to this scrap.<sup>66</sup>

### Factor Valuations

In accordance with section 773(c) of the Act, for subject merchandise produced by Sanhua, the Department calculated NV based on the FOPs reported by Sanhua for the POR. The Department used Bulgarian import data and other publicly available sources in order to calculate SVs for Sanhua's FOPs. To calculate NV, the Department multiplied Sanhua's reported per-unit FOPs by publicly-available SVs.<sup>67</sup> 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.<sup>68</sup>

The Department adjusted input prices by including freight costs, as appropriate, to render them delivered prices. Specifically, to Bulgarian import SVs reported on a cost, insurance, and freight basis, the Department added a surrogate freight cost using the shorter of: (i) the reported distance from the domestic supplier to the factory; or (ii) the distance from the nearest seaport to the factory. This adjustment is in accordance with the decision of the Federal Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, the Department adjusted SVs for inflation and exchange rates, and the Department converted all applicable FOPs to a per-gram basis.

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

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<sup>63</sup> See, e.g., *Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings from the People's Republic of China*, 68 FR 61395 (October 28, 2003), and accompanying Issue and Decision Memorandum at Comment 19.

<sup>64</sup> See DQR at D-18 to D-22 and at Exhibit D-10.

<sup>65</sup> *Id.*, at D-19 and at Exhibit D-10.

<sup>66</sup> See Sanhua Preliminary Analysis Memorandum.

<sup>67</sup> See Preliminary Factor Valuation Memorandum at Attachment 1.

<sup>68</sup> 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.

industry-specific export subsidies.<sup>69</sup> Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.<sup>70</sup> 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.<sup>71</sup> Rather, the Department bases its decision on information that is available to it at the time it makes its determination. Additionally, consistent with our practice, we disregarded prices from NME countries and excluded imports labeled as originating from an "unspecified" country from the average value, because the Department could not be certain that they were not from either an NME country or a country with general export subsidies.<sup>72</sup> Therefore, we did not use prices from these countries in calculating the Bulgarian import-based SVs.

In accordance with 19 CFR 351.408(c)(1), the Department will normally use publicly available information to find an appropriate SV to value FOPs, but when a producer sources an input from a ME and pays for it in ME currency, the Department may value the factor using the actual price paid for the input.<sup>73</sup> Sanhua reported that it did not purchase inputs from ME suppliers for the production of the merchandise under consideration.<sup>74</sup>

The record shows that data in the Bulgarian import statistics, as well as those from the other sources, are generally contemporaneous with the POR, product-specific, and tax-exclusive.<sup>75</sup> In those instances where we could not obtain publicly available Bulgarian data contemporaneous to the POR with which to value factors, we adjusted the SVs using, where appropriate, inflation factors derived from the Bulgarian Producer Price Index ("PPI"), as published in the

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<sup>69</sup> See, e.g., *Steel Threaded Rod From India: Final Affirmative Countervailing Duty Determination and Partial Final Affirmative Determination of Critical Circumstances*, 79 FR 40712 (July 14, 2014); *Certain Frozen Warmwater Shrimp From the Republic of Indonesia: Final Negative Countervailing Duty Determination*, 78 FR 50383 (August 19, 2013); *Corrosion-Resistant Carbon Steel Flat Products From the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review; 2011*, 78 FR 55241 (September 10, 2013), unchanged in final *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2011*, 79 FR 5378 (January 31, 2014); *Large Residential Washers From the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012); *Bottom Mount Combination Refrigerator-Freezers From the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 17410 (March 26, 2012); *Certain Frozen Warmwater Shrimp From Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013).

<sup>70</sup> 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.

<sup>71</sup> 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).

<sup>72</sup> 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).

<sup>73</sup> See 19 CFR 351.408(c)(1); see also *Shakeproof Assembly Components, Div. of Ill. Tool Works, Inc. v. United States*, 268 F.3d 1376, 1382-1383 (Fed. Cir. 2001) (affirming the Department's use of market-based prices to value certain FOPs).

<sup>74</sup> See DQR at D-7.

<sup>75</sup> See Preliminary Factor Valuation Memorandum at Attachment 1.

International Monetary Fund's *International Financial Statistics*.<sup>76</sup> The Department used Bulgarian Import Statistics from the Global Trade Atlas ("GTA") and other publicly available sources to value most raw materials, energy, and packing inputs that Sanhua used to produce subject merchandise during the POR, except where listed below.

In these preliminary results, the Department calculated the labor input using data on industry-specific labor cost from the primary surrogate country, Bulgaria. On June 21, 2011, the Department announced its new methodology to value the cost of labor in NME countries.<sup>77</sup> 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.<sup>78</sup> 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 (Yearbook).<sup>79</sup> Thus, in these preliminary results, we relied on the Chapter 6A, industry-specific ILO data for Bulgaria from 2007, for Sub-Classification 28, which is described as "28 Manufacture of machinery and equipment n.e.c."<sup>80</sup> The Department further determined that the two-digit description under ISIC-Revision 4 ("28 Manufacture of machinery and equipment n.e.c.") is the best available information because it is specific to the industry being examined and, therefore, is derived from industries that produce comparable merchandise. Additionally, we inflated the 2007 labor data to the POR using CPI, as explained above.<sup>81</sup> Because Bulgarian ILO data is reported in Lev, we converted it to Euros using the Lev to Euro conversion rate of 1.95583 Lev/Euro.<sup>82</sup>

Pursuant to *Labor Methodologies*, the Department's practice is to consider whether financial ratios reflect labor expenses that are included in other elements of the respondent's factors of production (e.g., general and administrative expenses).<sup>83</sup> The financial statements used to calculate financial ratios in this review were sufficiently detailed to allow the Department to isolate labor expenses from other expenses such as selling, general, and administrative expenses. Therefore, the Department made no revisions to its calculation of surrogate financial ratios pursuant to *Labor Methodologies*.<sup>84</sup>

We valued electricity using contemporaneous Bulgarian data from the National Institute of Statistics (Bulgaria) Electricity Prices covering the POR, available at

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<sup>76</sup> *Id.*, at Attachments 1 and 4.

<sup>77</sup> See *Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) ("*Labor Methodologies*").

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> See Preliminary Factor Valuation Memorandum at Attachment 5.

<sup>81</sup> *Id.*, at Attachments 1, 4 and 5.

<sup>82</sup> See Letter from Petitioner in A-570-986, "Hardwood and Decorative Plywood from the People's Republic of China: Rebuttal And Supplemental Information Regarding Publicly Available Information To Value Factors Of Production," dated March 13, 2013, at 10, footnote 17 in the Preliminary Factor Valuation Memorandum at Attachment 5. See also Preliminary Factor Valuation Memorandum at Attachment 1.

<sup>83</sup> See *Labor Methodologies*, 76 FR at 36094.

<sup>84</sup> See Preliminary Factor Valuation Memorandum at Attachment 8.

<http://www.nsi.bg/en/content/5035/electricity-prices-industry>.<sup>85</sup> We did not inflate the rate since all data points are contemporaneous with the POR.<sup>86</sup>

We valued water using the average water rates for industrial consumers reported by the Bulgarian State Energy Regulatory Commission.<sup>87</sup> We did not inflate the rate since all data points are contemporaneous with the POR.<sup>88</sup>

We valued international freight using International freight price quotes from the Descartes website covering industrial plumbing supplies, valves, and valve parts, brass, iron, and copper, N.O.S., and valves and valve parts, N.O.S., available at <http://rates.descartes.com>.<sup>89</sup> We did not inflate these rates because all data points are contemporaneous with the POR.<sup>90</sup>

The Department determined the best available information for valuing truck freight to be the World Bank's *Doing Business 2015: Economy Profile: Bulgaria*. This World Bank report gathers information concerning the distance and cost to transport products in a dry cargo, 20-foot, full container, that weights 10 MT, from the largest city in Bulgaria to the nearest seaport.<sup>91</sup> We calculated the per-unit inland freight costs using the distance from Bulgaria's largest city, Sofia, to the nearest seaport, Burgas.<sup>92</sup> We did not inflate these rates because all data points are contemporaneous with the POR.<sup>93</sup>

We valued brokerage and handling expenses using a price list of export procedures necessary to export a standardized cargo of goods in Bulgaria, as published in the World Bank's *Doing Business 2015, Economy Profile: Bulgaria* publication.<sup>94</sup>

We valued marine insurance using a price quote for July 2010, which we obtained from RJG Consultants.<sup>95</sup> RJG Consultants is a ME provider of marine insurance. We did not inflate this rate because it was calculated on a dollar-per-value basis.<sup>96</sup>

19 CFR 351.408(c)(4) directs the Department to value overhead, general, and administrative expenses ("SG&A") and profit using non-proprietary information gathered from producers of identical or comparable merchandise in the surrogate country. In this review, none of the parties to the proceeding placed surrogate financial statements on the record of this review. However,

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<sup>85</sup> *Id.*, at Attachment 6.

<sup>86</sup> See Attachments 1 and 6 of this memorandum.

<sup>87</sup> See Attachment 7 of this memorandum.

<sup>88</sup> See Attachments 1 and 7 of this memorandum.

<sup>89</sup> See Preliminary Factor Valuation Memorandum at Attachment 9.

<sup>90</sup> See Attachments 1 and 9 of this memorandum.

<sup>91</sup> See "Trading Across Borders Methodology" in Preliminary Factor Valuation Memorandum at Attachment 10, available at <http://www.doingbusiness.org/methodology>.

<sup>92</sup> See Attachments 1 and 11 of Preliminary Factor Valuation Memorandum.

<sup>93</sup> *Id.*

<sup>94</sup> See *Doing Business 2015, Economy Profile: Bulgaria*, at 70, and "Trading Across Borders Methodology," contained in the Preliminary Factor Valuation Memorandum at Attachment 10, and available at <http://www.doingbusiness.org>. See also Preliminary Factor Valuation Memorandum at Attachments 1 and 12 for brokerage and handling calculations.

<sup>95</sup> See Preliminary Factor Valuation Memorandum at Attachment 13.

<sup>96</sup> *Id.*, at Attachments 1 and 13.

Sanhua submitted the Department's calculation of the surrogate financial ratios for the previous POR based on the 2012 financial statements of Grand D.K. Co., Ltd. ("Grand D.K."), a Thai manufacturer of high quality service valves (packed valves) used in air-conditioners.<sup>97</sup> As a consequence, we placed the underlying financial statements on the record of this review.<sup>98</sup> We determined that Grand D.K. is a Thai producer of identical merchandise and earned a profit during the 2012 fiscal reporting period.<sup>99</sup> There is no record evidence to indicate that it received benefits that the Department previously determined to be countervailable. Further, its audited financial statements are complete and sufficiently detailed to disaggregate materials, labor, overhead, and SG&A expenses.<sup>100</sup> Because we do not have surrogate financial statements on the record from a Bulgarian producer of comparable or identical merchandise, we used the Grand D.K. statements to calculate the surrogate financial ratios.

For a complete listing of all the inputs and a detailed discussion about our SV selections, *see* Preliminary Factor Valuation 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

31 MARCH 2015  
(Date)

<sup>97</sup> See letter from Sanhua, "Frontseating Service Valves from the People's Republic of China; A-570-933; Additional Surrogate Value Information by Zhejiang Sanhua Co., Ltd.," dated December 1, 2014, at Exhibit ASV-1.

<sup>98</sup> See Preliminary Factor Valuation Memorandum at Attachment 8.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*, at Attachment 8.