



A-570-601
Administrative Review
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June 30, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Results of the 2013-2014 Antidumping Duty Administrative Review of Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China

SUMMARY

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on tapered roller bearings and parts thereof, finished and unfinished (TRBs), from the People's Republic of China (PRC) for the period of review (POR) June 1, 2013, through May 31, 2014. We preliminarily find that sales of the subject merchandise have been made at prices below normal value (NV). Additionally, we find that one mandatory respondent, Yantai CMC Bearing Company Limited (Yantai CMC) does not qualify for a separate rate and, accordingly, is preliminarily being treated as part of the PRC-wide entity.

Background

On June 15, 1987, the Department published in the Federal Register the antidumping duty order on TRBs from the PRC.¹ On June 2, 2014, the Department published in the Federal Register a notice of opportunity to request an administrative review of the AD order on TRBs from the PRC for the period of June 1, 2013, through May 31, 2014.² The Department, in response to timely requests from interested parties pursuant to section 751(a)(1) of the Act and 19 CFR

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

² See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, 79 FR 31303 (June 2, 2014).

351.213(b)(1), (2) and (3) to conduct an administrative review of the order on TRBs from the PRC, published a notice of initiation of administrative review with respect to seven companies on July 31, 2014.³ In the Initiation Notice, the Department indicated that, in the event that we limit the number of respondents selected for individual examination in accordance with section 777A(c)(2) of the Act, we would select mandatory respondents for individual examination based upon U.S. Customs and Border Protection entry data.⁴ In August 2014, we received comments on the issue of respondent selection from the petitioner in this proceeding (*i.e.*, the Timken Company) and CPZ/SKF.

On August 19, 2014, after considering the large number of potential respondents involved in this administrative review, and the resources available to the Department, we determined that it was not practicable to examine all exporters of subject merchandise for which a review was requested. As a result, pursuant to section 777A(c)(2)(B) of the Act, we determined that we could reasonably individually examine only the two exporters accounting for the largest volume of entries of TRBs from the PRC during the POR.⁵ These companies are CPZ/SKF and Yantai CMC. Accordingly we issued the non-market economy (NME) AD questionnaire to these two companies.

In September 2014, CPZ/SKF and Yantai CMC responded to section A of the questionnaire and CPZ/SKF, GGB, Kaiyuan, and Xinglun submitted separate rate certifications. Also in this month, CNP Automotive Inc., an importer of subject merchandise, withdrew its request for review with respect to Longgo and Zhaoqing.

In October 2014, CPZ/SKF and Yantai CMC responded to sections C and D of the questionnaire, and GGB withdrew its request for review.

In December 2014, we received surrogate value (SV) comments from the petitioner and CPZ/SKF, and we issued a supplemental questionnaire to CPZ/SKF. We received SV rebuttal comments from the petitioner and CPZ/SKF in January 2015, as well as a response to the supplemental questionnaire from CPZ/SKF.

In February 2015, because all requests for review of GGB, Longgo, and Zhaoqing were timely withdrawn, we rescinded the review with respect to those companies pursuant to 19 CFR

³ See Initiation of Antidumping and Countervailing Duty Administrative Reviews, 79 FR 44390 (July 31, 2014) (Initiation Notice). The seven companies listed in the Initiation Notice are: 1) Changshan Peer Bearing Co., Ltd. (CPZ/SKF); 2) GGB Bearing Technology (Suzhou) Co., Ltd. (GGB); 3) Guangzhou Longgo Auto Parts Inc. (Longgo); 4) Ningbo Xinglun Bearings Import & Export Co., Ltd. (Xinglun); 5) Xinchang Kaiyuan Automotive Bearing Co., Ltd. (Kaiyuan); 6) Yantai CMC; and 7) Zhaoqing Native Produce Import and Export Co, Ltd. of Guangdong (Zhaoqing). With respect to Xinglun, we note that the notice of initiation contained a typographical error in the spelling of this company's name. This determination corrects the notice of initiation and reflects the accurate spelling.

⁴ See Initiation Notice, 79 FR at 44390.

⁵ See memorandum from Blaine Wiltse, Senior International Trade Analyst, Office II, to James Maeder, Director, Office II, "Selection of Respondents for Individual Review," dated August 19, 2014.

351.213(d)(1),⁶ and we extended the time period to issue the preliminary results in the instant administrative review by 120 days.⁷

From March through May 2015, we issued additional supplemental questionnaires to CPZ/SKF, as well as several supplemental questionnaires to Yantai CMC. We received responses to these questionnaires during the same time period. In April 2015, we verified CPZ/SKF's sales questionnaire responses at its facilities in Zhejiang, PRC, and the offices of its U.S. affiliate, Peer Bearing Company, in Chicago, Illinois.

Scope of the Order

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

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country Status

The Department considers the PRC to be an NME country.⁸ 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.

⁶ See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Rescission, in Part, of Antidumping Duty Administrative Review; 2013-2014, 80 FR 5508 (February 2, 2015), with respect to Longgo and Zhaoqing; and Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Rescission, in Part, of Antidumping Duty Administrative Review; 2013-2014, 80 FR 8849 (February 19, 2015), with respect to GGB.

⁷ See memorandum from Blaine Wiltse, Senior International Trade Compliance Analyst, Office II, to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, entitled "Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated February 9, 2015.

⁸ See, e.g., Multilayered Wood Flooring From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 70267, 70268 (November 25, 2013), unchanged in Multilayered Wood Flooring From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 26712 (May 9, 2014).

Separate Rates

In NME proceedings, there is a rebuttable presumption that companies are subject to government control and, thus, should be assessed a single antidumping duty rate.⁹ 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.¹⁰ It is the Department's policy to assign exporters of the subject merchandise from an NME country a single rate unless an exporter can affirmatively demonstrate an absence of government control, both in law (de jure) and in fact (de facto), with respect to exports. To establish whether a company is sufficiently independent to be entitled to a separate, company-specific rate, the Department analyzes each exporting entity in a NME country under the test established in Sparklers,¹¹ as amplified by Silicon Carbide.¹² However, if the Department determines that a company is wholly foreign-owned, then consideration of the de jure and de facto criteria is not necessary to determine whether it is independent from government control.¹³

Under the separate rates test, 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) legislative enactments decentralizing control over export activities of the companies; and (3) other formal measures by the government decentralizing control over export activities of companies.¹⁴

Further, the Department typically considers four factors in evaluating whether a respondent is subject to de facto government control of its export functions: (1) whether the export prices (EP) 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.¹⁵

⁹ 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).

¹⁰ See Initiation Notice, 79 FR at 44391.

¹¹ 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).

¹² 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).

¹³ See, e.g., Final Results of Antidumping Duty Administrative Review: Petroleum Candles From the People's Republic of China, 72 FR 52355, 52356 (September 13, 2007) (Candles from the PRC).

¹⁴ See Sparklers, 56 FR at 20589.

¹⁵ See Silicon Carbide, 59 FR at 22586-89; 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).

The Department continues to evaluate its practice with regard to the separate rates analysis in light of the diamond sawblades from the PRC AD proceeding, and the Department's determinations therein.¹⁶ In particular, we note that in litigation involving the diamond sawblades proceeding, the U.S. Court of International Trade (CIT) found the Department's existing separate rates analysis deficient in the circumstances of that case, in which a government-controlled entity had significant ownership in the respondent exporter.¹⁷ We have concluded that where a government entity holds a majority ownership share, either directly or indirectly, in the respondent exporter, the majority ownership holding in and of itself means that the government exercises or has the potential to exercise control over the company's operations generally, which may include control over, for example, the selection of management, a key factor in determining whether a company has sufficient independence in its export activities to merit a separate rate. Consistent with normal business practices, we would expect any majority shareholder, including a government, to have the ability to control, and an interest in controlling, the operations of the company, including the selection of management and the profitability of the company. Accordingly, we have considered the level of government ownership where necessary.

Separate Rate Recipients

In accordance with our practice, the Department analyzed whether CPZ/SKF, Xinglun, Kaiyuan, and Yantai CMC demonstrated the absence of de jure and de facto governmental control over their respective export activities. In the instant review, we preliminarily find no evidence of PRC government ownership of CPZ/SKF, Xinglun, and Kaiyuan and that those companies are entitled to a separate rate in this review.¹⁸

¹⁶ See Final Results of Redetermination Pursuant to Remand Order for Diamond Sawblades and Parts Thereof from the People's Republic of China (May 6, 2013) in Advanced Technology & Materials Co., Ltd. v. United States, 885 F. Supp. 2d 1343 (CIT 2012) (Advanced Technology), affirmed in Advanced Technology & Materials Co., Ltd. v. United States, 938 F. Supp. 2d 1342 (CIT 2013). This remand redetermination is on the Enforcement and Compliance website at <http://enforcement.trade.gov/remands/12-147.pdf>. See also Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 77098 (December 20, 2013) and accompanying Preliminary Decision Memorandum at 7, unchanged in 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 Issues and Decision Memorandum at Comment 1.

¹⁷ See, e.g., Advanced Technology, 885 F. Supp. 2d at 1349 ("The court remains concerned that Commerce has failed to consider important aspects of the problem and offered explanations that run counter to the evidence before it."); id. at 1351 ("Further substantial evidence of record does not support the inference that SASAC's {state-owned assets supervision and administration commission} 'management' of its 'state-owned assets' is restricted to the kind of passive-investor de jure 'separation' that Commerce concludes.") (footnotes omitted); id. at 1355 ("The point here is that 'governmental control' in the context of the separate rate test appears to be a fuzzy concept, at least to this court, since a 'degree' of it can obviously be traced from the controlling shareholder, to the board, to the general manager, and so on along the chain to 'day-to-day decisions of export operations,' including terms, financing, and inputs into finished product for export."); id. at 1357 ("AT&M *itself* identifies its 'controlling shareholder' as CISRI {owned by SASAC} in its financial statements and the power to veto nomination does not equilibrate the power of control *over* nomination.") (footnotes omitted).

¹⁸ As set forth below in the section entitled "Company Not Receiving a Separate Rate," we preliminarily find that Yantai CMC has not established its eligibility for a separate rate.

1) Wholly Foreign-Owned Company

CPZ/SKF submitted information indicating that it is wholly foreign-owned by a company located in a market economy (ME) country.¹⁹ Because it is wholly foreign-owned, and we have no evidence indicating that the PRC controls CPZ/SKF's export activities, an analysis of the de jure and de facto criteria is not necessary to determine whether this company is independent from government control.²⁰ Accordingly, the Department preliminarily is granting separate rate status to CPZ/SKF.

2) Wholly PRC-Owned Companies

Both Kaiyuan and Xinglun stated that they are wholly Chinese-owned companies.²¹ In accordance with our practice, the Department analyzed whether these companies demonstrated the absence of de jure and de facto governmental control over their respective export activities.

a) Absence of De Jure Control

The evidence provided by Kaiyuan and Xinglun supports a preliminary finding of an absence of de jure government control based on the following: (1) there is an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) there are applicable legislative enactments decentralizing control of the companies;²² and (3) there are formal measures by the government decentralizing control of the companies.²³

b) Absence of De Facto Control

The evidence provided by Kaiyuan and Xinglun supports a preliminary finding of an absence of de facto government control based on record statements and supporting documentation showing that the companies: (1) set their own EPs independent of the government and without the approval of a government authority; (2) have the authority to negotiate and sign contracts and other agreements; (3) maintain autonomy from the government in making decisions regarding the selection of management; and (4) retain the proceeds of their respective export sales and make independent decisions regarding the disposition of profits or financing of losses.²⁴

¹⁹ See CPZ/SKF's Separate Rate Certification, dated September 26, 2014.

²⁰ See, e.g., Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results and Partial Rescission of the Antidumping Duty Administrative Review and Preliminary Results of the New Shipper Review; 2012-2013, 79 FR 42758 (July 23, 2014) (TRBs AR 26 Prelim), unchanged in Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Final Results of the Antidumping Duty Administrative Review and Final Results of the New Shipper Review; 2012-2013, 80 FR 4244 (January 27, 2015) (TRBs AR 26 Final).

²¹ See Kaiyuan's September 29, 2014, Separate Rate Certification (Kaiyuan SRC), at 2; see also Xinglun's September 26, 2014, Separate Rate Application (Xinglun SRA), at 10.

²² See Kaiyuan SRC, at 4; see also Xinglun SRA, at 6.

²³ Id.

²⁴ See Kaiyuan SRC, at 4-5; see also Xinglun SRA, at 9-17.

Therefore, the evidence placed on the record of this review by Kaiyuan and Xinglun demonstrates an absence of de jure and de facto government control under the criteria identified in Sparklers and Silicon Carbide. Accordingly, the Department preliminarily grants separate rates to Kaiyuan and Xinglun.

Company Not Receiving a Separate Rate

The Department preliminarily determines that Yantai CMC is not eligible to receive a separate rate, as explained below.

1) Absence of De Jure Control

The evidence submitted by Yantai CMC includes government laws and regulations on corporate ownership and control (i.e., the Company Law of the People's Republic of China), its individual business license, and narrative information regarding its operations and selection of management.²⁵ This evidence provided by Yantai CMC supports a preliminary finding of an absence of de jure government control over its export activities.²⁶ Specifically, record evidence indicates that: (1) there are no controls over exports of subject merchandise, such as quotas applied to, or licenses required for, exports of the subject merchandise to the United States; (2) the government of the PRC has passed legislation decentralizing control of companies; and (3) the government has taken formal measures to decentralize control of companies.

2) Failure to Demonstrate Absence of De Facto Control

The Department preliminarily determines that Yantai CMC has not demonstrated an absence of de facto government control, and is, therefore, not granting Yantai CMC a separate rate. Because the information underlying our determination is of a business proprietary nature, our separate rate analysis with respect to Yantai CMC is included in a separate memorandum.²⁷

Separate Rate for Non-Selected Companies

The statute and the Department's regulations do not address the establishment of a rate to be applied to individual respondents not selected for examination when the Department limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, the Department looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for separate-rate respondents which we did not examine individually in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference that we not calculate an all-others rate using rates for individually-examined respondents which are zero, de minimis, or based entirely on facts

²⁵ See Yantai CMC's April 16, 2015, submission, at 8 through 12 and at Exhibit S-5; see also Yantai CMC's September 25, 2014, submission (Yantai CMC Section A Response), at 4 and Exhibit 2.

²⁶ See Yantai CMC Section A Response, at 4.

²⁷ See memorandum from Stephen A. Banea, International Trade Compliance Analyst, Office II, to the File, entitled "Separate Rate Analysis for Yantai CMC Bearing Co., Ltd.," dated June 30, 2015.

available. Accordingly, the Department's usual practice in determining the rate for separate-rate respondents not selected for individual examination has been to average the weighted-average dumping margins for the selected companies, excluding rates that are zero, de minimis, or based entirely on facts available.²⁸ Section 735(c)(5)(B) of the Act provides that, where all rates are zero, de minimis, or based entirely on facts available, we may use "any reasonable method" for assigning the all-others rate, including "averaging the estimated weighted-average dumping margins determined for the exporters and producers individually investigated."

In previous administrative reviews, the Department has determined that a "reasonable method" to use when the rates for the respondents selected for individual examination are zero, de minimis, or based entirely on facts available, is to assign non-examined separate rate recipients the average of the most recently-determined weighted-average dumping margins that are not zero, de minimis, or based entirely on facts available. These rates may be from the investigation, a prior administrative review, or a new shipper review.

For these preliminary results, we calculated a margin of zero percent for CPZ/SKF. Therefore, we preliminarily determine to apply the rate assigned to the separate-rate recipients in the previous administrative review of the AD order on TRBs from the PRC (i.e., the 2012-2013 administrative review), which is based on the most recently-determined weighted-average dumping margins that are not zero, de minimis, or based entirely on facts available, to the non-examined separate-rate companies in the instant review. This determination is consistent with precedent²⁹ and the most reasonable method to determine the separate rate. Pursuant to this method, we are assigning the margin of 0.65 percent, the most recent margin calculated for the non-examined separate-rate respondents,³⁰ to the non-examined separate-rate respondents in the instant review.

The PRC-Wide Entity

For the reasons detailed above, the Department preliminarily determines that Yantai CMC has not demonstrated that it is eligible for a separate rate. Accordingly, the Department preliminarily determines Yantai CMC to be properly considered part of the PRC-wide entity.

The Department's change in policy regarding conditional review of the PRC-wide entity applies

²⁸ See Longkou Haimeng Mach. Co. v. United States, 581 F. Supp. 2d 1344, 1357-60 (CIT 2008) (affirming the Department's determination to assign a 4.22 percent dumping margin to the separate rate respondents in a segment where the three mandatory respondents received dumping margins of 4.22 percent, 0.03 percent, and zero percent, respectively); see also Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 74 FR 36656, 36660 (July 24, 2009) (Kitchen Racks Final).

²⁹ See e.g., Certain Frozen Warmwater Shrimp From the People's Republic of China: Preliminary Results and Preliminary Partial Rescission of Fifth Antidumping Duty Administrative Review, 76 FR 8338, 8342 (February 14, 2011), unchanged in Administrative Review of Certain Frozen Warmwater Shrimp From the People's Republic of China: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 76 FR 51940 (August 19, 2011).

³⁰ This margin is from the 2012-2013 administrative review. See TRBs AR 26 Final.

to this administrative review.³¹ Under this policy, the PRC-wide entity will not be under review unless a party specifically requests, or the Department self-initiates, a review of the entity. Because no party requested a review of the PRC-wide entity in this review, the entity is not under review and the entity's rate is not subject to change. Therefore, if our determination is unchanged in the final results, entries from Yantai CMC will be liquidated at the rate previously established for the PRC-wide entity.

Collapsing of CPZ/SKF with Another Producer of TRBs

In accordance with 19 CFR 351.401(f)(1) and (2), the Department will treat two or more affiliated producers as a single entity where those producers have production facilities for similar or identical products that would not require substantial retooling of either facility and there is significant potential for the manipulation of price or production. In regards to significant potential for manipulation of price or production, 19 CFR 351.401(f)(2)(i)-(iii) states that the Department may consider the following factors: (i) level of common ownership, (ii) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm, and (iii) the degree to which operations are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.

In 2012, CPZ/SKF became affiliated with another producer of TRBs located in the PRC. This producer, Shanghai General Bearing Co., Ltd. (SGBC/SKF) is currently excluded from the AD order on TRBs.³² In the prior review, we examined whether it was appropriate to collapse CPZ/SKF and SGBC/SKF into a single entity, but after analyzing the facts on that segment of the proceeding, we found that the record did not support a determination that there was a significant potential for manipulation of price or production.³³ We stated in that segment, however, that we would request additional information in this review and re-evaluate our decision if warranted.

After examining the data on the record of this review, we find that it is appropriate to collapse CPZ/SKF with SGBC/SKF. As in the prior review, we find that the companies are affiliated within the meaning of 771(33)(F) of the Act and that substantial retooling would not be required to restructure manufacturing priorities. Additionally, in light of the totality of the circumstances, we find that the record supports a determination that there is a significant potential for manipulation of price or production. This evidence includes common ownership, a transfer pricing policy between AB SKF and its affiliates,³⁴ ability to produce the same TRBs,

³¹ See Antidumping 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 Duty Proceedings, 78 FR 65963 (November 4, 2013).

³² Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China; Final Results of Antidumping Duty Administrative Review and Revocation in Part of Antidumping Duty Order, 62 FR 6189 (February 11, 1997) (for the 1993-1994 review) (SGBC/SKF Revocation).

³³ See TRBs AR 26 Final, and accompanying Issues and Decision Memorandum at Comment 4.

³⁴ For an explanation of this transfer price policy see memorandum from The Team to Melissa Skinner, Director Office II, entitled "Whether to Collapse Changshan Peer Bearing Company Ltd. and Shanghai General Bearing Company Ltd. in the 2013-2014 Antidumping Duty Administrative Review of Tapered Roller Bearings and

overlapping suppliers and customers, and non-application of the dumping order to SBGC/SKF.

Both companies share a parent company that will control pricing and production if it deems it necessary to protect its business interests. Both companies produce the same TRB models, share suppliers and share certain customers. While we recognize there is no record evidence that CPZ/SKF and SGBC/SKF share sales or production information directly, this same information is passed up to their respective owners, who are owned by AB SKF. In addition, AB SKF has, through a transfer pricing policy applicable to all AB SKF companies and its position as being the sole owner of, or holding a controlling interest in, the SKF Group companies, the ability and incentive to control the pricing and production of its subsidiaries. Based on the totality of the circumstances we find that these facts give rise to the significant potential for manipulation of price or production. Accordingly, we preliminarily find that CPZ/SKF and SGBC/SKF satisfy the collapsing criteria in 19 CFR 351.401(f). Therefore, we will treat CPZ/SKF and SGBC/SKF as a single entity for purposes of this proceeding. For more information regarding the Department's collapsing analysis, including certain business proprietary details, see the Collapsing Memorandum.

TRBs produced and exported by SGBC/SKF are currently not subject to suspension of liquidation, because, as noted above, SGBC/SKF was revoked from the AD order on TRBs from the PRC in 1997. If the Department continues to find that it is appropriate to treat the two companies as a single entity in the final results, we will order the suspension of liquidation of any future entries of TRBs produced and exported by SGBC/SKF, at the final cash deposit rate established for the collapsed entity.

Surrogate Country

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base NV, in most circumstances, on the NME producer's FOPs, valued in a surrogate 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.³⁵ As a general rule, the Department selects a surrogate country that is at the same level of economic development as the NME country unless it is determined that none of the countries are viable 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.³⁶ 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. To

Parts Thereof, Finished and Unfinished, from the People's Republic of China," dated June 30, 2015 (Collapsing Memorandum) at pages 9 and 10.

³⁵ See Import Administration Policy Bulletin 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004).

³⁶ Id.

determine which countries are at the same level of economic development, the Department generally relies on per capita gross national income (GNI) data from the World Bank's World Development Report.³⁷ Further, the Department normally values all FOPs in a single surrogate country.³⁸

In this review, the Department determined that Bulgaria, Columbia, Ecuador, Indonesia, South Africa, and Thailand are countries at the same level of economic development as the PRC, based on per capita GNI.³⁹ The sources of the SVs we have used in this review are discussed under the "Normal Value" section below.

With respect to the Department's selection of a surrogate country, both the petitioner and CPZ/SKF argue that Thailand is the most appropriate surrogate country from which to derive SVs for the PRC. No other party commented on this issue.

The Department preliminarily selected Thailand as the surrogate country on the grounds that: (1) it is at the same level of economic development as the PRC; (2) it is a significant producer of comparable merchandise; and (3) we have reliable data from Thailand that we can use to value the FOPs.⁴⁰ Specifically, regarding significant production, UN Comtrade data for exports demonstrate that Thailand exported a significant volume of comparable merchandise in recent years.⁴¹ With respect to reliable data to value FOPs, the record contains Global Trade Atlas (GTA) data from Thailand for each of the inputs except labor, certain transportation services, and financial ratios. GTA data are country-wide, published data, which the Department frequently uses to value FOPs. Accordingly, we have calculated NV using Thai SVs when available and appropriate to value the respondents' FOPs.

Date of Sale

CPZ/SKF reported that the date of sale was determined by the invoice issued to its unaffiliated U.S. customers.⁴² In this case, because the Department found no evidence contrary to CPZ/SKF's claims that invoice date reflected the date on which the materials terms of sale were established, the Department used invoice date as the date of sale for these preliminary results, in

³⁷ Id.

³⁸ See 19 CFR 351.408(c)(2).

³⁹ See memorandum from Carole Showers, Director, Office of Policy, to Shawn Thompson, Program Manager, Office II, entitled "Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Tapered Roller Bearings and Parts Thereof, Finished and Unfinished ('TRBs') from the People's Republic of China ('China')," dated November 5, 2014.

⁴⁰ See memorandum from Blaine Wiltse, Senior Trade Analyst, Office II, to the File, entitled "Surrogate Value Memorandum" (Surrogate Value Memo)," dated June 30, 2015; see also the "Factor Valuations" section of this memorandum, below.

⁴¹ See CPZ/SKF's December 2, 2014, submission "Tapered Roller Bearings and Parts Thereof from the People's Republic of China: Surrogate Country Comments" at Appendix 1.

⁴² See CPZ/SKF's September 25, 2014, section A questionnaire response at A-23.

accordance with 19 CFR 351.401(i).⁴³

Normal Value Comparisons

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

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (the average-to-average method), unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to compare weighted-average NVs to the EPs or CEPs of individual transactions (the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not govern the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is analogous to the issue in antidumping duty investigations.⁴⁴

In recent investigations and reviews, pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act, the Department has applied a "differential pricing" analysis to determine whether application of average-to-transaction comparisons is appropriate in a particular situation.⁴⁵ The Department finds that the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.⁴⁶ The Department will continue to develop its approach in this area based on comments received in this and other proceedings, as well as the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

⁴³ See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10.

⁴⁴ 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.

⁴⁵ See, e.g., Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013) (Xanthan Gum from the PRC), 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 accompanying Issues and Decision Memorandum at Comment 3.

⁴⁶ See, e.g., Certain Activated Carbon From the People's Republic of China: Final results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 70533 (November 26, 2013), and accompanying Issues and Decision Memorandum at Comment 2.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer codes. Regions are defined using the reported destination zip code and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and passed the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large threshold (i.e., 0.8).

Next, the “ratio test” assesses the extent of the significance of the price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent but less than 66 percent of the value of total sales, then the results support the application of an average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support the application of an alternative to the average-to-average method.

If both tests in the first stage (i.e., the Cohen’s *d* test and the ratio test) demonstrate the existence

of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, the Department examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent or greater relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method, where both rates are above the de minimis threshold, or (2) the resulting weighted-average dumping margin moves across the de minimis threshold.

Interested parties may present arguments in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

For CPZ/SKF, based on the results of the differential pricing analysis, the Department finds that between 33 percent and 66 percent of CPZ/SKF's U.S. sales pass the Cohen's *d* test, which confirms the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions or time periods. This finding supports consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test and application of the average-to-average methodology to those sales identified as not passing the Cohen's *d* test. However, the Department determines that the average-to-average method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins calculated using the average-to-average method and the mixed-alternative method. Accordingly, the Department determined to use the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for CPZ/SKF.

Constructed Export Price

We used CEP methodology for CPZ/SKF's sales, in accordance with section 772(b) of the Act, because the subject merchandise was first sold in the United States by a U.S. seller affiliated with the producer and EP methodology was not otherwise indicated.⁴⁷

Value-Added Tax (VAT)

In 2012, the Department announced a change of methodology with respect to the calculation of EP and CEP to include an adjustment of any un-refunded (hereafter irrecoverable) VAT in

⁴⁷ See CPZ/SKF's October 20, 2014, response to section C of the questionnaire at 11 (CPZ/SKF Section C Response).

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

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

A. CPZ/SKF

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

⁴⁸ See Methodological Change for Implementation of Section 772(c)(2)(B) of the Tariff Act of 1930, as Amended, In Certain Non-Market Economy Antidumping Proceedings, 77 FR 36481 (June 19, 2012) (Methodological Change).

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

⁵⁰ See Methodological Change, 77 FR 36481.

⁵¹ See CPZ/SKF Section C Response at pages C-49 and C-50.

⁵² Id.

⁵³ Id.

⁵⁴ See TRBs AR 26 Prelim, unchanged in TRBs AR 26 Final.

⁵⁵ See memorandum from Stephen Bailey, Senior Trade Analyst, Office II, to the File, entitled "Calculation Adjustments for CPZ/SKF for the Preliminary Results," dated June 30, 2015.

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

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using an FOP methodology if the merchandise is exported from an NME and the information does not permit the calculation of NV using home market prices, third country prices, or constructed value under section 773(a) of the Act. The Department bases NV on the FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies. Under section 773(c)(3) of the Act, FOPs include, but are not limited to: (1) hours of labor required; (2) quantities of raw materials employed; (3) amounts of energy and other utilities consumed; and (4) representative capital costs. The Department used FOPs reported by CPZ/SKF for materials, labor, and packing, but excluded energy (*i.e.*, electricity and coal). See the Surrogate Value Memo for further discussion regarding energy reporting in financial statements.

Factor Valuations

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

Except as noted below, the Department used Thai import data and other publicly-available Thai sources in order to calculate SVs for CPZ/SKF's FOPs. To calculate NV, the Department multiplied the reported per-unit FOP quantities by publicly-available SVs. The Department's practice when selecting the best available information for valuing FOPs is to select, to the extent practicable, SVs which are product-specific, representative of a broad market average, publicly available, contemporaneous with the POR, and exclusive of taxes and duties.⁵⁶

For the preliminary results, in accordance with the Department's practice, we used data from the Thai import statistics in the GTA, published by Global Trade Information Services, Inc., and other publicly-available Thai sources to calculate SVs for certain FOPs reported by CPZ/SKF (*i.e.*, direct material and packing materials and certain movement expenses). The GTA reports import statistics, such as from Thailand, in the original reporting currency and, thus, these data correspond to the original currency value reported by each country. The record shows that data in the Thai import statistics, as well as those from several other Thai sources, are contemporaneous with the POR, product-specific, and tax-exclusive.⁵⁷ In those instances where

⁵⁶ See, e.g., Electrolytic Manganese Dioxide From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 73 FR 48195 (August 18, 2008), and accompanying Issues and Decision Memorandum at Comment 2.

⁵⁷ See Surrogate Value Memo.

we could not obtain publicly-available information contemporaneous to the POR with which to value factors, we adjusted the SVs using the Thai Purchase Price Index (PPI), as published in the International Monetary Fund's (IMF's) International Financial Statistics.⁵⁸

As appropriate, the Department adjusted input prices by including freight costs to render them delivered prices. Specifically, the Department added to Thai import SVs reported on a Cost, Insurance and Freight basis a surrogate freight cost using the shorter of the reported distance from the domestic supplier to the factory or the distance from the nearest seaport to the factory where it relied on an import value. This adjustment is in accordance with the decision of the Court of Appeals for the Federal Circuit in Sigma Corp. v. United States, 117 F.3d 1401, 1408 (Fed. Cir. 1997). Additionally, where necessary, the Department adjusted SVs for inflation, exchange rates, and taxes. Moreover we converted all applicable FOPs to a per-kilogram basis.

Furthermore, with regard to the Thai import-based SVs, we disregarded import data on inputs that we have reason to believe or suspect may be subsidized. We have reason to believe or suspect that prices of inputs from Indonesia, India, and the Republic of Korea may have been subsidized because we have found in other proceedings that these countries maintain broadly available, non-industry-specific export subsidies.⁵⁹ Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized.⁶⁰ Further, guided by the legislative history, it is the Department's practice not to conduct a formal investigation to ensure that such prices are not subsidized.⁶¹ Rather, the Department bases its decision on information that is available to it at the time it makes its determination. Additionally, consistent with our practice, we disregarded prices from NME countries and excluded from the SVs imports labeled as originating from an "unspecified" country, because the Department could not be certain that they were not from either an NME country or a country with general export subsidies.⁶²

⁵⁸ See, e.g., Certain Kitchen Appliance Shelving and Racks From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 74 FR 9600 (March 5, 2009) (Kitchen Racks), unchanged in Kitchen Racks Final, 74 FR 36656.

⁵⁹ See, e.g., Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-year (Sunset) Review of the Countervailing Duty Order, 75 FR 13257 (March 19, 2010), and accompanying Issues and Decision Memorandum at 4-5; Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Results of Expedited Sunset Review, 70 FR 45692 (August 8, 2005), and accompanying Issues and Decision Memorandum at 4; and Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review, 74 FR 2512 (January 15, 2009), and accompanying Issues and Decision Memorandum at 17, 19-20.

⁶⁰ See Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China, 69 FR 20594 (April 16, 2004), and accompanying Issues and Decision Memorandum at Comment 7.

⁶¹ See Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576, at 590 (1988); see also Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Coated Free Sheet Paper from the People's Republic of China, 72 FR 30758, 30763 (June 4, 2007), unchanged in Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from the People's Republic of China, 72 FR 60632 (October 25, 2007).

⁶² See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Chlorinated Isocyanurates From the People's Republic of China, 69 FR 75294, 75300 (December 16, 2004), unchanged in Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People's Republic of China, 70 FR 24502 (May 10, 2005).

Therefore, we have not used prices from these countries either in calculating the Thai import-based SVs or in calculating ME input values.

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

We valued brokerage and handling using a price list for export procedures necessary to export a standardized cargo of goods in Thailand in a 20-foot container. The price list was published in the World Bank publication Doing Business in Thailand.⁶³ The reported prices were contemporaneous with the POR.

We valued truck freight using Thai data published by the World Bank publication Doing Business in Thailand⁶⁴ and distances between Thai cities published on Google Maps: <https://maps.google.com>.⁶⁵ The reported prices were contemporaneous with the POR.

Because the record contains no data sourced from Thailand regarding the valuation of barge freight, we valued barge freight using South African data from the December 2005 publication The Impact of Transportation Pricing Practices in South Africa on Freight Transportation Costs, published by the Human Science Research Council. The prices were converted to U.S. dollars and inflated using the South African PPI, as published in the IMF's International Financial Statistics,⁶⁶ to be contemporaneous with the POR.

Regarding ocean freight and air freight, CPZ reported that it used both ME and NME service providers for these expenses. Pursuant to 19 CFR 351.408(c)(1), when a respondent sources inputs produced in an ME, from an ME supplier, and pays in an ME currency, the Department normally will use the actual price paid by the respondent to value, in whole or in part, those inputs, except when prices may have been distorted by findings of dumping or subsidization.⁶⁷ Where the Department finds ME purchases to constitute "substantially all" (i.e., 85 percent or more) of the total factor purchased from all sources, in accordance with our statement of policy as outlined in Market Economy Input Prices in NME Proceedings,⁶⁸ the Department normally uses the actual purchase prices to value the inputs. CPZ/SKF reported that 100 percent of its international ocean freight services were purchases from ME suppliers in ME currency.⁶⁹ Therefore, the Department valued CPZ/SKF's international ocean freight services using the

⁶³ See Surrogate Value Memo.

⁶⁴ Id.

⁶⁵ Id.

⁶⁶ See, e.g., Kitchen Racks, 74 FR 9600.

⁶⁷ See, e.g., Antidumping Duties; Countervailing Duties; Final rule, 62 FR 27296, 27366 (May 19, 1997).

⁶⁸ See Use of Market Economy Input Prices in Nonmarket Economy Proceedings, 78 FR 46799 (August 2, 2013) (Market Economy Input Prices in NME Proceedings).

⁶⁹ See CPZ/SKF's section D response, submitted on November 26, 2013, at D-8 and Appendix D-10.

actual ME prices paid. However, CPZ/SKF reported that less than 85 percent of its air freight services were purchased from ME suppliers in ME currency. Therefore, the Department valued CPZ/SKF's air freight for sales which CPZ/SKF reported ME providers using the actual ME prices paid, and we valued air freight for sales for which CPZ/SKF reported NME providers using a rate published on the United Parcel Service website for a comparable shipment and inflated this using the Thai PPI to the POR.⁷⁰

On June 21, 2011, the Department revised its methodology for valuing the labor input in NME antidumping proceedings.⁷¹ In Labor Methodologies, the Department determined that the best methodology to value the labor input is to use industry-specific labor rates from the primary surrogate country. Additionally, the Department determined that the best data source for industry-specific labor rates is Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization (ILO) Yearbook of Labor Statistics.⁷²

In these preliminary results, the Department calculated the labor input value using data from the 2012 Industrial Census data published by Thailand's National Statistics Office (the 2012 NSO data). Although the 2012 NSO data are not from the ILO, the Department finds that this fact does not preclude us from using this source for valuing labor. In Labor Methodologies, the Department decided to change to the use of ILO Chapter 6A from the use of ILO Chapter 5B data, on the rebuttable presumption that Chapter 6A data better account for all direct and indirect labor costs.⁷³ The Department did not, however, preclude all other sources for evaluating labor costs in NME antidumping proceedings. Rather, we continue to follow our practice of selecting the best available information to determine SVs for inputs such as labor.⁷⁴ Thus, we find that the 2012 NSO data are the best available information for valuing labor for this segment of the proceeding. Specifically, the 2012 NSO data are not only more contemporaneous than the ILO Chapter 6A data from Thailand, which is from 2005,⁷⁵ but also they are specific to the bearings industry, while the 2005 ILO data represent all Thai manufacturing. The Department has used the 2012 NSO data to value the labor input in other recent determinations.⁷⁶ The Thai bearings wage rate reported in the 2012 NSO data was converted to U.S. dollars and inflated using the Thai Consumer Price Index, as published in the IMF's International Financial Statistics, to be contemporaneous with the POR. The calculated wage rate is provided in the Surrogate Value Memo.

⁷⁰ See Surrogate Value Memo.

⁷¹ See Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor, 76 FR 36092 (June 21, 2011) (Labor Methodologies).

⁷² Id.

⁷³ See Labor Methodologies, 76 FR at 36093.

⁷⁴ See Xanthan Gum from the PRC, and accompanying Issues and Decision Memorandum at Comment 6-C; and Drawn Stainless Steel Sinks From the People's Republic of China: Investigation, Final Determination, 78 FR 13019 (February 26, 2013), and accompanying Issues and Decision Memorandum at Comment 3.

⁷⁵ See ILO Yearbook of Labor Statistics 2009 at 1052.

⁷⁶ See, e.g., Drawn Stainless Steel Sinks From the People's Republic of China: Preliminary Results of the Antidumping Duty Administrative Review; 2012–2014, 80 FR 26227 (May 7, 2015), and accompanying Decision Memorandum at 23.

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

As stated above, the Department used Thailand data reported under the 2012 NSO data, which reflects all costs related to labor, including wages, benefits, housing, training, *etc.* Because the financial statements used to calculate the surrogate financial ratios do not include an itemized detail of indirect labor costs, the Department made no adjustments to the surrogate financial ratios.

CPZ/SKF reported that steel scrap was recovered as a by-product of the production of subject merchandise, both by itself and by subcontractors involved in the production process. CPZ/SKF provided production quantity as well as sales data for the scrap that it generated, and it successfully demonstrated that the scrap has commercial value. Therefore, we granted a by-product offset for CPZ/SKF's reported steel scrap, valued using Thai import data.⁷⁷ However, because CPZ/SKF's subcontractors were unable to provide the quantity of scrap generated during their production processes, we did not grant CPZ/SKF a by-product offset for any scrap reported for these entities.

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.

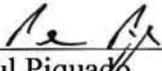
⁷⁷ See Surrogate Value Memo.

CONCLUSION

We recommend applying the above methodology for these preliminary results.

✓
Agree

Disagree


Paul Piquado
Assistant Secretary
for Enforcement and Compliance

20 JUNE 2015
(Date)