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

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

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping Duty Administrative Review and New Shipper Reviews: Freshwater Crawfish Tail Meat from the People’s Republic of China  

SUMMARY  

The Department of Commerce (the Department) is conducting an administrative review and new shipper reviews of the antidumping duty order on freshwater crawfish tail meat from the People’s Republic of China (PRC). The administrative review covers two mandatory respondent exporters of subject merchandise, China Kingdom (Beijing) Import & Export Co., Ltd. (China Kingdom) and Deyan Aquatic Products and Food Co., Ltd. (Deyan Aquatic), and one separate rate respondent, Shanghai Ocean Flavor International Trading Co., Ltd. (Shanghai Ocean). The new shipper reviews cover Hubei Yuesheng Aquatic Products Co., Ltd. (Hubei Yuesheng) and Weishan Hongda Aquatic Food Co., Ltd. (Weishan Hongda). The period of review (POR) for the administrative and new shipper reviews is September 1, 2013, through August 31, 2014. We preliminarily determine that sales by China Kingdom, Deyan Aquatic, Hubei Yuesheng, and Weishan Hongda, have not been made below normal value (NV).

BACKGROUND  

On September 15, 1997, the Department published an amended final determination and antidumping duty order on freshwater crawfish tail meat from the PRC. On September 2, 2014, the Department published a notice of opportunity to request an administrative review of the order.  

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1 See Notice of Amendment to Final Determination of Sales at Less Than Fair Value and Antidumping Duty Order: Freshwater Crawfish Tail Meat From the People’s Republic of China, 62 FR 48218 (September 15, 1997).  
2 See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review, 79 FR 51958 (September 2, 2014).
Department initiated an administrative review of four exporters/producers. On November 10, 2014, Shanghai Ocean requested that it be selected as a voluntary respondent. On December 16, 2014, the Department selected China Kingdom and Xiping Opeck for individual examination in this administrative review. On October 31, 2014, in response to requests from Hubei Yuesheng, Weishan Hongda, and Wuhan Coland Aquatic Products and Food Co., Ltd. (Wuhan Coland), we initiated new shipper reviews of the order on freshwater crawfish tail meat from the PRC with respect to these three companies.

On November 21, 2014, the Department aligned the new shipper reviews of freshwater crawfish tail meat from the PRC with the concurrent administrative review of freshwater crawfish tail meat from the PRC.

On January 13, 2015, Xiping Opeck and Wuhan Coland timely withdrew their review requests for an administrative review and new shipper review, respectively. As a result, the Department rescinded the review with respect to Xiping Opeck and Wuhan Coland. On January 29, 2015, the Department selected Deyan Aquatic as the additional mandatory respondent in this administrative review and rejected Shanghai Ocean’s request to be selected as a voluntary respondent.

On May 1, 2015, we extended the due dates for the preliminary results of the administrative review and new shipper reviews by 120 days to September 30, 2015.

We are conducting these reviews in accordance with sections 751(a)(1), 751(a)(2)(B)(iv), 751(a)(3), 777(i)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213 and 351.214.

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4 See letter from Shanghai Ocean, dated November 10, 2014.
7 See Memorandum to The File entitled “Alignment of New-Shipper Reviews of Freshwater Crawfish Tail Meat from the People's Republic of China with the concurrent Administrative Review of Freshwater Crawfish Tail Meat from the PRC” dated November 21, 2014.
8 See the letters of withdrawal of the review requests from Xiping Opeck and Wuhan Coland dated January 13, 2015.
10 See Memorandum to James Maeder, Senior Director, AD/CVD Operations, Office I from Hermes Pinilla, International Trade Compliance Analyst, AD/CVD Operations, Office I entitled “Freshwater Crawfish Tail Meat from the PRC—Selection of Additional Mandatory Respondent and Analysis of Voluntary Respondent Request” dated January 29, 2015. Thus, Shanghai Ocean was not selected for individual examination.
SCOPE OF THE ORDER

The product covered by the antidumping duty order is freshwater crawfish tail meat, in all its forms (whether washed or with fat on, whether purged or un-purged), grades, and sizes; whether frozen, fresh, or chilled; and regardless of how it is packed, preserved, or prepared. Excluded from the scope of the order are live crawfish and other whole crawfish, whether boiled, frozen, fresh, or chilled. Also excluded are saltwater crawfish of any type, and parts thereof. Freshwater crawfish tail meat is currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers 1605.40.10.10 and 1605.40.10.90, which are the HTSUS numbers for prepared foodstuffs, indicating peeled crawfish tail meat and other, as introduced by CBP in 2000, and HTSUS numbers 0306.19.00.10 and 0306.29.00.00, which are reserved for fish and crustaceans in general. On February 10, 2012, the Department added HTSUS classification number 0306.29.01.00 to the scope description pursuant to a request by U.S. Customs and Border Protection (CBP). The HTSUS subheadings are provided for convenience and customs purposes only. The written description of the scope of the order is dispositive.

Bona Fides Analysis

Consistent with the Department’s practice, we examined the bona fides of the sales in the new shipper reviews. In evaluating whether a sale in a new shipper review is commercially reasonable or typical of normal business practices and, therefore, bona fide, the Department considers, inter alia, such factors as: (a) the timing of the sale, (b) the price and quantity, (c) the expenses arising from the transaction, (d) whether the goods were resold at a profit, and (e) whether the transaction was made on an arm’s-length basis. Accordingly, the Department considers a number of factors in its bona fides analysis, “all of which may speak to the commercial realities surrounding an alleged sale of subject merchandise.” In TTPC, the Court of International Trade (CIT) also affirmed the Department’s decision that any factor which indicates that the sale under consideration is not likely to be typical of those which the producer will make in the future is relevant, and found that the weight given to each factor investigated will depend on the circumstances surrounding the sale. Finally, in New Donghua, the CIT affirmed the Department’s practice of evaluating the circumstances surrounding a sale in a new shipper review so that a respondent does not unfairly benefit from an atypical sale and obtain a lower dumping margin than the producer’s usual commercial practice would dictate. Where the Department finds that a sale is not bona fide, the Department will exclude the sale from its dumping margin calculations.

12 See, e.g., Honey from the People’s Republic of China: Rescission and Final Results of Antidumping Duty New Shipper Reviews, 71 FR 58579 (October 4, 2006) and accompanying Issues and Decision Memorandum (I&D Memo) at comment 1b.
15 See TTPC, 366 F. Supp. 2d at 1250.
16 Id. at 1263.
17 See New Donghua, 374 F. Supp. 2d at 1344.
18 See TTPC, 366 F. Supp. 2d at 1249.
Based on our analysis of the factors described above, we preliminarily find that Hubei Yueshang’s and Weishan Hongda’s U.S. sales are *bona fide* transactions. Moreover, based on this finding, the companies’ responses to our questionnaires, and their eligibility for a separate rate (see the “Separate Rates” section of this notice below), we preliminarily determine that Hubei Yueshang and Weishan Hongda qualify as new shippers during this POR.19

**Verification**

As provided in section 782(i) of the Act, we verified information provided by China Kingdom in the administrative review of freshwater crawfish tail meat from the PRC using standard verification procedures, including on-site inspection of the producer’s and exporter’s facilities, and examination of relevant sales and financial records. Our verification results are outlined in the verification report for China Kingdom.20

**DISCUSSION OF THE METHODOLOGY**

**Non-Market Economy Country Status**

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

**Surrogate Country**

In antidumping duty proceedings involving NME countries, pursuant to section 773(c)(1) of the Act, the Department generally bases NV on the value of the NME producer’s factors of production (FOPs). In accordance with section 773(c)(4) of the Act, in valuing the FOPs the Department uses, to the extent possible, the prices or costs of the FOPs in one or more market-economy countries that are at the same level of economic development to that of the NME country and that are also significant producers of merchandise comparable to the subject merchandise. The Department has determined that South Africa, Colombia, Bulgaria, Thailand, Ecuador, and Indonesia are countries that are at the same level of economic development to that

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19 *See* memoranda to the file entitled “New Shipper Review of Freshwater Crawfish Tail Meat from the People’s Republic of China – Bona Fides Sales Analysis of Hubei Yuesheng Aquatic Products Co., Ltd.” (July 15, 2015) and “New Shipper Review of Freshwater Crawfish Tail Meat from the People’s Republic of China – Bona Fides Sales Analysis of Weishan Hongda Aquatic Food Co., Ltd. (June 29, 2015), respectively, for more details including certain business proprietary information.

of the PRC.\textsuperscript{21} None of these countries are a significant producer of freshwater crawfish tail meat, but Indonesia and Thailand are significant producers of comparable merchandise, processed seafood.\textsuperscript{22}

As stated in 19 CFR 351.408(c)(2), the Department’s preference is to value FOPs in a single country. Thus, when there are multiple potential surrogate countries, the Department also looks to the availability of data in those countries.\textsuperscript{23} In this instance, publicly available data exist for valuing most of the FOPs in Thailand including, importantly, financial statements that can be used to calculate surrogate ratios for overhead, selling, general and administrative expenses (SG&A), and profit.\textsuperscript{24} Thus, the availability of factor values in Thailand relative to Indonesia, the other significant producer of comparable merchandise that is at the same economic level to the PRC, supports our decision to select Thailand as the primary surrogate country.\textsuperscript{25}

We are unable to value the whole crawfish input in any of the potential surrogate countries. Instead, we valued whole crawfish using the only information available on the record with respect to that input, \textit{i.e.}, imports of crawfish into Spain as reported by \textit{Agencia Tributaria}, the Spanish government agency responsible for trade statistics. Spain is a significant producer of freshwater crawfish and we relied on Spanish values in previous reviews for this input.\textsuperscript{26}

\textsuperscript{21}See memorandum entitled “Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Freshwater Crawfish Tail Meat (FCTM) from the People’s Republic of China (PRC)” (November 24, 2014).

\textsuperscript{22}See memorandum entitled, “Freshwater Crawfish Tail Meat from the People’s Republic of China: Selection of Surrogate Country” (September 30, 2015) (Surrogate Country Memorandum).


\textsuperscript{24}See memorandum entitled, “Freshwater Crawfish Tail Meat from the People’s Republic of China: Surrogate Value Memorandum” (September 30, 2015) (Surrogate Value Memorandum).


Separate Rates

In antidumping duty proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the country are subject to government control and, thus, should be assessed a single antidumping duty rate.\textsuperscript{27} Thus, the Department will assign all exporters this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate. The Department assigns separate rates in NME proceedings only if respondents can demonstrate the absence of both \textit{de jure} and \textit{de facto} government control over export activities under a test developed by the Department and described in \textit{Final Determination of Sales at Less Than Fair Value: Sparklers From the People’s Republic of China}, 56 FR 20588 (May 6, 1991) (\textit{Sparklers}), and \textit{Notice of Final Determination of Sales at Less Than Fair Value: Carbide From the People’s Republic of China}, 59 FR 22585, 22586-87 (May 2, 1994) (\textit{Silicon Carbide}).

In \textit{Initiation Notice} and \textit{New-Shipper Initiation Notice}, the Department notified parties of the application process by which exporters and producers may obtain separate rate status in NME proceedings.\textsuperscript{28} The Department received complete responses to the antidumping duty questionnaire from all respondents which contained information pertaining to the companies’ eligibility for a separate rate.

Absence of \textit{De Jure} Control

The Department considers the following \textit{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.\textsuperscript{29}

The evidence provided by China Kingdom, Deyan Aquatic, Hubei Yueshang, Shanghai Ocean and Weishan Hongda, support a preliminary finding of an absence of \textit{de jure} government control based on the following: (1) an absence of restrictive stipulations associated with the individual exporter’s business and export licenses; (2) legislative enactments decentralizing control of the companies; and (3) formal measures by the government decentralizing control of the companies.

Absence of \textit{De Facto} Control

As stated in previous cases, there is some evidence that certain enactments of the PRC central government have not been implemented uniformly among different sectors and/or jurisdictions


\textsuperscript{29} See \textit{Sparklers}, 56 FR at 20589.
Therefore, the Department determined that an analysis of *de facto* control is critical in determining whether the respondents are, in fact, subject to a degree of government control which would preclude the Department from assigning separate rates. The Department typically considers the following four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the export prices are set by, or subject to the approval of, a government agency; (2) whether the respondent has the 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.

China Kingdom, Deyan Aquatic, Hubei Yueshang, Shanghai Ocean and Weishan Hongda, have each made the following assertions: (1) they establish their own export prices; (2) they negotiate contracts without guidance from any government entities or organizations; (3) they make their own personnel decisions; and (4) they retain the proceeds of their export sales, use profits according to their business needs, and have the authority to sell their assets and to obtain loans. Therefore, based on the information on the record of these reviews, the Department preliminarily determines that there is an absence of *de facto* governmental control over the export activities of China Kingdom, Deyan Aquatic, Hubei Yueshang, Shanghai Ocean and Weishan Hongda.

Given that the Department found that China Kingdom, Deyan Aquatic, Hubei Yueshang, Shanghai Ocean, and Weishan Hongda operate free of *de jure* and *de facto* governmental control, we preliminarily determine that they satisfied the criteria for a separate rate.

**Separate Rate for a Non-Selected Company**

Shanghai Ocean is the only exporter of crawfish tail meat from the PRC that demonstrated its eligibility for a separate rate which was not selected for individual examination in this review. The statute and the Department’s regulations do not address the establishment of a rate to be applied to individual companies not selected for examination when the Department limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, we have looked 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 respondents we did not examine in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference that we are not to calculate an all-others rate using any zero or *de minimis* margins or any margins based entirely on facts available. Accordingly, the Department’s usual practice has been to average the margins for the selected companies, excluding margins that are zero, *de minimis*, or based entirely on facts available. Section 735(c)(5)(B) of the Act also provides

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30 *See Silicon Carbide, 59 FR at 22587; see also 12/13 FCTM Prelim, and accompanying Preliminary Decision Memorandum at “Separate Rates” (unchanged in 12/13 FCTM Final, and accompanying Issues and Decision Memorandum).*

31 *See Silicon Carbide, 59 FR at 22586-87; Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People’s Republic of China, 60 FR 22544, 22545 n.3 (May 8, 1995).*


33 *See Multilayered Wood Flooring From the People’s Republic of China: Final Results of Antidumping Duty Administrative Review and Final Results of New Shipper Review; 2012-2013, 80 FR 41476 (July 15, 2015), and accompanying Issues and Decision Memorandum at Comment 17.*
that, where all margins are zero, *de minimis*, or based entirely on facts available, we may use “any reasonable method” for assigning the rate to non-selected respondents, including “averaging the estimated weighted-average dumping margins determined for the exporters and producers individually investigated.”

In previous cases, the Department has determined that a “reasonable method” to use when, as here, the rates of the respondents selected for individual examination are all zero is to apply to those companies not selected for individual examination (but eligible for a separate rate in NME cases) the average of the most recently determined rates that are not zero, *de minimis*, or based entirely on facts available (which may be from a prior administrative review or a new shipper review). If any such non-selected company had its own calculated rate that is contemporaneous with or more recent than such prior determined rates, however, the Department has applied such individual rate to the non-selected company in the review in question, including when that rate is zero or *de minimis*. The Department has also stated that it will not use its prior zeroing methodology in administrative reviews with preliminary determinations issued after April 16, 2012.

In light of the unique set of facts of this case, however, we are applying another reasonable method. Shanghai Ocean’s own previously calculated rate was calculated in the 2008/2009 administrative review and we have calculated zero margins for mandatory respondents since the 2010/2011 administrative review. Therefore, we conclude that in this case another reasonable method for determining the rate for Shanghai Ocean is to apply the weighted-average margin calculated for the two mandatory respondents in the administrative review (i.e., zero) to Shanghai Ocean for these preliminary results, which is a statutorily enumerated reasonable method for calculating Shanghai Ocean’s separate rate in the context of these facts under section 735(c)(5)(B) of the Act.


35 See *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Notice of Preliminary Results of the New Shipper Review and Fourth Antidumping Duty Administrative Review and Partial Rescission of the Fourth Administrative Review*, 73 FR 52015 (September 8, 2008), *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of the Antidumping Duty Administrative Review and New Shipper Reviews*, 74 FR 11349 (March 17, 2009) (changing rate for non-selected respondents because the final calculated rate for the selected respondent was above *de minimis*) (unchanged in *Certain Frozen Fish Fillets from the Socialist Republic of Vietnam: Amended Final Results of the Fourth Antidumping Duty Administrative Review*, 74 FR 17816 (April 17, 2009)).


37 See *Freshwater Crawfish Tail Meat From the People’s Republic of China: Final Results of Antidumping Duty Administrative and New-Shipper Reviews*, 75 FR 79337, 79338 (December 20, 2010).

Fair Value Comparisons

To determine whether sales of subject merchandise by China Kingdom, Deyan Aquatic, Hubei Yueshang, and Weishan Hongda were made at less than NV, we compared their export prices (EP) to NV, as described in the “Export Price” and “Normal Value” sections below.

A. 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 constructed export prices (CEPs)) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping duty investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly 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, in fact, analogous to the issue in antidumping duty investigations. In recent investigations, the Department applied a “differential pricing” analysis to determine whether application of average-to-transaction 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. 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 and new shipper reviews. 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 average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the 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

39 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 I&D Memo at Comment 1.
40 See, e.g., Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013), and accompanying Issues and Decision Memorandum at Comment 3.
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., city name, zip code, etc.) 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 test is applied when the test and comparison groups of data each has 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 EPs that differ significantly supports the consideration of 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 and less than 66 percent of the value of total sales, then the results support consideration of 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 consideration 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 EPs 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 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 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 \textit{de minimis} threshold, or 2) the resulting weighted-average dumping margin moves across the \textit{de minimis} threshold.

Interested parties may present arguments and justifications 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

For China Kingdom, and Deyan Aquatic, the value of U.S. sales passing the Cohen’s \(d\) test is insignificant (\textit{i.e.}, below 33 percent).\textsuperscript{42} As such, the Department finds that these results do not support consideration of an alternative to the average-to-average method. Accordingly, for these preliminary results the Department determines to use the average-to-average method in making comparisons of EP and NV for China Kingdom, Deyan Aquatic, Hubei Yueshang, and Weishan Hongda.\textsuperscript{43}

\textbf{U.S. Price}

For China Kingdom, Deyan Aquatic, Hubei Yueshang, and Weishan Hongda, in accordance with section 772(a) of the Act, we based U.S. prices on EP because the record information indicates that the first sales to unaffiliated purchasers were made prior to importation and CEP was not otherwise warranted. For Hubei Yueshang, we calculated EPs based on the packed, cost and freight price to the first unaffiliated purchaser in the United States. For China Kingdom, Deyan Aquatic, Weishan Hongda, we calculated EPs based on the packed free-on-board-PRC-port price to the first unaffiliated purchaser in the United States. In accordance with section 772(c) of the Act, we calculated net EPs by deducting foreign inland-freight expenses and foreign brokerage and handling expenses from the starting price (gross unit price) charged to the first unaffiliated customer in the United States. With regard to China Kingdom, Deyan Aquatic, Hubei Yueshang, and Weishan Hongda, we based all movement expenses reported on surrogate values with the exception of Hubei Yuesheng’s international freight expense where we used the actual cost per kilogram of the freight because a market-economy company provided the movement and was paid in U.S. dollars.

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”) value-added

\textsuperscript{42} Hubei Yuesheng and Weishan Hongda did not have a sufficient number of sales to conduct the Cohen’s \(d\) test.

\textsuperscript{43} In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in \textit{Final Modification for Reviews}. In particular, the Department compared monthly weighted-average EPs with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin. \textit{See Final Modification for Reviews}, 77 FR at 8102.
tax (VAT) in certain NME countries in accordance with section 772(c)(2)(B) of the Act.\textsuperscript{44} 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.\textsuperscript{45} Where the irrecoverable VAT is a fixed percentage of EP or CEP, the Department explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. EP or CEP downward by this same percentage.\textsuperscript{46}

The Department’s methodology, as explained above and applied in this review, essentially amounts to performing two basic steps: (1) determining the amount (or rate) of 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 certain respondents indicate that according to the PRC VAT schedule, the standard VAT levy is 17 percent and the rebate rate for subject merchandise is 15 percent.\textsuperscript{47} For the purposes of these preliminary results, therefore, we removed from U.S. price for each company the appropriate amount related to VAT, which is the difference of these rates, two percent.\textsuperscript{48}

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 country and the available 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 uses an FOP methodology because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under its normal methodologies.\textsuperscript{49}

In accordance with section 773(c) of the Act, we relied on the FOP data reported by China Kingdom, Deyan Aquatics, Hubei Yueshang and Weishan Hongda for the POR. We calculated NV by adding together values for the FOPs, general expenses, profit, and packing costs. Specifically, we valued materials, labor, and packing by multiplying the reported per-unit rates

\textsuperscript{44} 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, 36483-84 (June 19, 2012) (Methodological Change).

\textsuperscript{45} 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 I&D Memo at Comment 5.A.

\textsuperscript{46} Methodological Change, 77 FR at 36483.

\textsuperscript{47} See China Kingdom’s February 6, 2015, submission at C-21-22, and April 16, 2015, submission at 5 and Exhibit SC-1; Deyan Aquatic’s July 7, 2014, submission at 13-14; Hubei Yuesheng’s February 6, 2015, submission at C-27 through C-29 and April 16, 2015, submission at 7-8; and Weishan Hongda’s February 6, 2015, submission at pages C-25 and C-26 and April 24, 2015, submission at pages 4 through 7.

\textsuperscript{48} For details on our price adjustments related to VAT, see the company-specific analysis memoranda, concurrently dated with this memorandum.

for the FOPs consumed in producing the subject merchandise by the average per-unit surrogate values described below. We added freight costs for the material inputs. We calculated the freight costs by multiplying surrogate freight rates by the shorter of the reported distance from the domestic supplier to the factory that produced the subject merchandise or the distance from the nearest seaport to the factory that produced the subject merchandise, as appropriate. This adjustment is in accordance with the decision by the United States Court of Appeals for the Federal Circuit in *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-1408 (Fed. Cir. 1997). We increased the calculated costs of the FOPs by adding surrogate general expenses and profit.50

**Surrogate Values**

In selecting surrogate values, we considered the quality, specificity, and contemporaneity of the data. For these preliminary results, in selecting the best available data for valuing FOPs in accordance with section 773(c)(1) of the Act, we followed our practice of choosing publicly available values which are non-export average values, most contemporaneous with the POR, product-specific, and tax-exclusive.51 We also considered the quality of the source of surrogate information in selecting surrogate values.52 For those surrogate values which are not contemporaneous with the POR, we adjusted for inflation using country-specific consumer prices (CPI), whole-sale prices (WPI) or purchase price indices (PPIs) as reported in the *International Financial Statistics* and published by the International Monetary Fund.53

Furthermore, we disregarded import prices that we have reason to believe or suspect may be subsidized.54 In this regard, we previously found that it is appropriate to disregard such prices from India, Indonesia, South Korea and Thailand because we determined that these countries maintain broadly available, non-industry specific export subsidies.55 Based on the existence of these subsidy programs that were generally available to all exporters and producers in these countries at the time of the POR, we find that it is reasonable to infer that all exporters from

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50 See Surrogate Value Memorandum.
52 See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cased Pencils From the People’s Republic of China, 59 FR 55625, 55633 (November 8, 1994).
53 See Surrogate Value Memorandum.
India, Indonesia, South Korea and Thailand may have benefitted from these subsidies.\textsuperscript{56} Additionally, we disregarded prices from NME countries.\textsuperscript{57}

We used the following surrogate values in our margin calculations for these preliminary results of review. We valued whole crawfish using the publicly available contemporaneous data for Spanish imports of whole crawfish from Portugal. We valued the crawfish shell by-product using a 2001 price quote from Indonesia for wet crab and shrimp shells and inflated this value using the Indonesian WPI to make it contemporaneous with the POR.

We used \textit{Global Trade Atlas} online data to value packing materials. We valued water using data published by the Metropolitan Waterworks Authority of Thailand specific to prices charged to Commerce, Government Agency, State Enterprise and Industry, which is available at http://www.mwa.co.th. Although this source states that the published prices are effective as of December 1999, there is no information to indicate that these prices are not still in effect. Therefore, we have not inflated this value for these preliminary results.

We valued non-refrigerated truck freight using the World Bank’s \textit{Doing Business 2014: Thailand} located at http://www.doingbusiness.org, which we find to be contemporaneous, specific to the cost of shipping goods in Thailand, and representative of a broad market average.\textsuperscript{58} Because we could not find any reliable information from Indonesia, Thailand, or any of the four other countries determined to be economically comparable to the PRC,\textsuperscript{59} we valued refrigerated truck freight based on price quotations from CTC Freight Carriers of Delhi, India, dated April 30, 2004, placed originally on the record of the 2009-2010 administrative review.\textsuperscript{60} To make it contemporaneous with the POR, we inflated this value using the Indian PPI.\textsuperscript{61}

We valued brokerage and handling expenses using the information in the World Bank Group’s \textit{Doing Business 2014 – Thailand}. This source provides a price list based on a survey case study of the procedural requirements necessary to export a standardized cargo of goods by ocean transit from Thailand. Because data reported in this source was current and, thus, contemporaneous with the POR, no adjustment was necessary.


\textsuperscript{58} See Surrogate Value Memorandum.

\textsuperscript{59} Id.


\textsuperscript{61} See Surrogate Value Memorandum.
On June 21, 2011, the Department announced its new methodology to value the cost of labor in NME countries. 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 Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization (ILO) Yearbook of Labor Statistics (Yearbook), as compared to Chapter 5B data of the ILO Yearbook, was the preferred source where another source was not more appropriate.

In these preliminary results, the Department calculated the labor input 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 the use of the ILO Chapter 6A data 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. The Department did not, however, preclude all other sources for evaluating labor costs in NME antidumping duty proceedings. Rather, we continue to follow our practice of selecting the “best information available” to determine SVs for inputs such as labor. 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 more contemporaneous than the ILO Chapter 6A data from Thailand. Additionally, the NSO data are publicly available, industry-specific, reflect all costs related to labor, including wages, benefits, housing, and training. A more detailed description of the wage rate calculation methodology is provided in the Surrogate Value Memorandum.

Finally, we valued factory overhead, SG&A, and profit by averaging the non-proprietary information taken from the 2012 financial statements of two Thai producers of processed seafood. Because these financial statements do not separately identify energy expenses, we have not calculated a value for the respondents’ energy inputs. For more specific information concerning our use of the 2012 financial statements of the two Thai producers or processed seafood, see Surrogate Value Memorandum.

Currency Conversion

We 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

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63 Id.
64 See Surrogate Value Memorandum.
65 See Labor Methodologies, 76 FR at 36093.
66 When the Department is unable to segregate and, therefore, exclude energy costs from the calculation of the surrogate overhead ratio, it is the Department’s practice to disregard the respondents’ energy inputs in the calculation of NV in order to avoid double-counting energy costs which have necessarily been captured in the surrogate financial ratios. See Citric Acid and Certain Citrate Salts From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value, 74 FR 16838, 16839 (April 13, 2009), and accompanying I&D Memo at Comment 2.
Recommendation

We recommend applying the above methodology for these preliminary results.

✓

Agree

Disagree

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

September 30, 2015
(Date)