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MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Determination in the
Less-Than-Fair-Value Investigation of Certain Quartz Surface
Products from the People's Republic of China

I. SUMMARY

The Department of Commerce (Commerce) preliminarily determines that certain quartz surface products (QSP) from the People's Republic of China (China) are being, or are likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The period of investigation (POI) is October 1, 2017, through March 31, 2018. The estimated margins of sales at LTFV are shown in the accompanying *Federal Register* notice.

II. BACKGROUND

On April 17, 2018, Commerce received antidumping duty (AD) and countervailing duty (CVD) petitions concerning imports of QSP from China, filed in proper form on behalf of Cambria Company LLC (the petitioner).¹ Commerce published the initiation of this investigation on May 16, 2018.²

In the *Initiation Notice*, Commerce notified the public that we would select the companies required to respond to our AD questionnaire using data collected via “quantity-and-value”

¹ See Petitioner's Letter, “Petitions for the Imposition of Antidumping and Countervailing Duties: Certain Quartz Surface Products from the People's Republic of China,” dated April 17, 2018 (the Petition).

² See *Certain Quartz Surface Products from the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 FR 22613 (May 16, 2018) (*Initiation Notice*).



(Q&V) questionnaires.³ On May 14, 2018, we posted the Q&V questionnaire to Commerce’s website, and on May 23, 2018, we also issued Q&V questionnaires to the largest 30 publicly-identifiable exporters/producers of QSP in China, according to data obtained from U.S. Customs and Border Protection (CBP). From May 21, 2018 through May 29, 2018, Commerce received timely Q&V responses from 24 of these companies, as well as 129 additional exporters/producers.⁴

From May through August 2018, we received comments from certain interested parties⁵ on the scope of this investigation as it appeared in the *Initiation Notice*.

In June 2018, the U.S. International Trade Commission (ITC) determined that there is a reasonable indication that an industry in the United States was materially injured by reason of imports from China of QSP.⁶ Also in June 2018, Commerce limited the number of respondents selected for individual examination to the four largest QSP producers/exporters, by volume, who submitted a Q&V questionnaire response, and we issued the AD questionnaire to them.⁷ These companies are CQ International Limited,⁸ Foshan Hero Stone Co., Ltd. (Hero Stone), Foshan Yixin Stone Co., Ltd. (Yixin Stone), and Guangzhou Hercules Quartz Stone Co., Ltd. (Hercules Quartz).⁹

In June and July 2018, we received timely separate rate applications (SRAs) from 143 companies.¹⁰ In July 2018, we received a letter from Hero Stone informing Commerce of certain significant deficiencies in its recordkeeping practices.¹¹ In the same month, we also received

³ See *Initiation Notice*, 83 FR at 22616-17.

⁴ See Memorandum, “Quantity and Value Delivery Confirmation in the Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People’s Republic of China,” dated June 14, 2018 (Q&V Questionnaire Delivery Memo) at Attachment I. As detailed in this memorandum, Commerce did not receive responses to six Q&V questionnaires, from five companies which received them and from one company which did not. These companies are, respectively: 1) Fasa Industrial Corporation Ltd.; 2) Fujian Nanan Yongxian Stone Co., Ltd.; 3) LG Hausys Trading Co., Ltd.; 4) Xiamen Gorgeous Stone Co., Ltd.; 5) Xiamen Maywell Import & Export Co., Limited; and 6) Sunshine Industrial Far East Limited (undeliverable). The Q&V Questionnaire Delivery Memo also indicates that Commerce did not receive a Q&V questionnaire response from an additional company, Vemy Quartz Surface Co., Ltd. (Vemy); however, we now acknowledge that this company did, in fact, submit a response under the name Vmey Quartz Surface Co. Ltd.

⁵ We received comments on the scope of this investigation from: the petitioner; Granite Tech Inc.; J.G. Edelen Co.; StoneVic-Kedin USA, Ltd.; Universal Stone Inc.; Bruskin International, LLC d/b/a Belstone, Mstone, LLC, and Polarstone US Inc.; DongGuan Universal Material Ltd.; and BlueBoat International, LLC.

⁶ See *Quartz Surface Products from China*, Investigations Nos. 701-TA-606 and 731-TA-1416 (Preliminary) (June 2018).

⁷ See Memorandum, “Respondent Selection for the Antidumping Duty Investigation of Certain Quartz Surface Products from the People’s Republic of China,” dated June 15, 2018.

⁸ CQ International Limited subsequently submitted its questionnaire response on a consolidated basis with two affiliated parties, Suzhou Colorquartzstone New Material Co., Ltd. and Shanghai Meiyang Stone Co., Ltd. In October 2018, we preliminarily “collapsed” these companies, and, as a result, we are treating them as a single-entity. See Memorandum, “Whether to Collapse CQ International Limited and Two Affiliates in the Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People’s Republic of China,” dated October 31, 2018 (Collapsing Memo). We hereafter refer to the collapsed entity as CQ International.

⁹ See Respondent Selection Memo at 1.

¹⁰ For a list of the companies that submitted a SRA, see Appendix III.

¹¹ See Hero Stone’s Letter, “Quartz Surface Products from the People’s Republic of China: Notification of Difficulty in Responding to Questionnaire,” dated July 2, 2018. Hero Stone filed this letter (and all subsequent

responses to section A of the questionnaire (*i.e.*, the section relating to general information) from each of the mandatory respondents,¹² as well as from two companies requesting to participate in the investigation as voluntary respondents.¹³ These latter companies are: 1) Hirsch Glass {Dalian} Co., Ltd and Hirsch Glass Corp (collectively, Hirsch Glass) and 2) Xiamen Deyuan Panmin Trading Co., Ltd. (Panmin).

Also, in July 2018, the petitioner made a timely request, pursuant to section 733(c)(1)(A) of the Act and 19 CFR 351.205(e) for a postponement of the preliminary determination.¹⁴ Subsequently, in August 2018, we postponed the preliminary determination until no later than November 13, 2018.¹⁵

In August 2018, we received responses to sections C and D of the questionnaire (*i.e.*, the sections relating to U.S. sales and factors of production (FOPs), respectively) from each of the mandatory respondents, as well as Hirsch Glass.^{16,17} We also received a response to Appendix XI, related to the existence of double remedies, from Yixin Stone.¹⁸ We did not receive a response to these sections of the questionnaire from Panmin.

In August and September 2018, we issued supplemental questionnaires to each of the mandatory respondents, as well as to two companies which submitted SRAs. We received responses to these supplemental questionnaires, as well as responses to Appendix XI from Hercules Quartz and Hero Stone in September and October 2018.¹⁹

submissions) on behalf of itself and two affiliated exporters, Foshan Quartz Stone Imp & Exp Co., Ltd. (Foshan Quartz Stone) and Hero Stone Co., Ltd. (HK Hero Stone).

¹² See CQ International's July 20, 2018 Section A Questionnaire Response; Hero Stone's July 20, 2018 Section A Questionnaire Response (Hero Stone July 20, 2018 AQR); Yixin Stone's July 20, 2018 Section A Questionnaire Response; and Hercules Quartz's July 20, 2018 Section A Questionnaire Response (Hercules Quartz July 20, 2018 AQR).

¹³ See Hirsch Glass' July 18, 2018 Section A Questionnaire Response; and Panmin's July 5, 2018 Section A Questionnaire Response.

¹⁴ See Petitioner's Letter, "Quartz Surface Products from the People's Republic of China: Request to Extend the Preliminary Determination," dated July 24, 2018.

¹⁵ See *Certain Quartz Surface Products from the People's Republic of China: Postponement of Preliminary Determination in the Less-Than-Fair-Value Investigation*, 83 FR 43848 (August 28, 2018).

¹⁶ See CQ International's August 10, 2018 Sections C and D Questionnaire Response (CQ International August 10, 2018 CDQR); Hero Stone's August 10, 2018 Sections C and D Questionnaire Response; Yixin Stone's August 23, 2018 Sections C and D Questionnaire Response (Yixin Stone August 23, 2018 CDQR); Hercules Quartz's August 13, 2018 Section C Questionnaire Response (Hercules Quartz August 13, 2018 CQR); Hercules Quartz's August 13, 2018 Section D Questionnaire Response (Hercules Quartz August 13, 2018 DQR); and Hirsch Glass' August 11, 2018 Sections C and D Questionnaire Response.

¹⁷ Although Hirsch Glass filed timely responses to Commerce's questionnaire, we did not analyze its response due to Commerce's resource constraints. For further discussion, see Memorandum, "Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from China: Selection of Voluntary Respondent," dated November 8, 2018 (Voluntary Respondent Memo) and the "Determination Not to Select Hirsch Glass as a Voluntary Respondent" section, below.

¹⁸ See Yixin Stone August 23, 2018 CDQR at Appendix XI.

¹⁹ See Hero Stone's September 4, 2018 Supplemental Questionnaire Response; Yixin Stone's September 4, 2018 Supplemental Questionnaire Response; KBI Construction Materials Ltd.'s Letter, "Certain Quartz Surface Products from the People's Republic of China; ("Quartz Surface Products"); A-570-084; Response to Supplemental SRA Questionnaire," dated September 14, 2018; Yunfu Weibao Stone Co., Ltd.'s Letter, "Certain Quartz Surface Products from the People's Republic of China; ("Quartz Surface Products"); A-570-084; Response to Supplemental

From August 2018 through October 2018, we received comments from the petitioner and the mandatory respondents regarding the selection of the appropriate surrogate country from which to select surrogate values in the investigation, as well as initial factual information relating to surrogate values from the relevant countries.²⁰

In September 2018, we preliminarily determined that modification of the scope language in this proceeding was unnecessary, and we solicited comments from interested parties on this

SRA Questionnaire,” dated September 14, 2018; Hercules Quartz’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Submission of Guangzhou Hercules’ Double Remedies Response,” dated September 19, 2018 (Hercules Double Remedies Response); Hero Stone’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Double Remedies Questionnaire Response,” dated September 19, 2018 (Hero Stone Double Remedies Response); Yixin’s Letter, “Antidumping Duty Investigation of Certain Quartz Surface Products from the People’s Republic of China; Partial Response to Supplemental Sections A, C, and D Questionnaire,” dated September 28, 2018 (Yixin September 28, 2018 SACDQR); Hercules Quartz’s October 2, 2018 Supplemental Sections A and C Questionnaire Response (Hercules Quartz October 2, 2018 SACQR); Hero Stone’s October 3, 2018 Supplemental Questionnaire Response; Yixin Stone’s October 5, 2018 Supplemental Questionnaire Response; CQ International’s October 10, 2018 Supplemental Section A Questionnaire Response; CQ International’s October 15, 2018 Supplemental Section C Questionnaire Response; Hercules Quartz’s October 15, 2018 Supplemental Section D Questionnaire Response; CQ International’s October 17, 2018 Supplemental Section D Questionnaire Response; and Hercules Quartz’s October 23, 2018 Supplemental Section D Questionnaire Response.

²⁰ See Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Comments on Surrogate Country Selection,” dated August 29, 2018 (Petitioner Surrogate Country Comments); Hercules Quartz’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Submission of Surrogate Country Comments,” dated August 29, 2018 (Hercules Quartz Surrogate Country Comments); Hero Stone’s Letter, “Quartz Surface Products from the People’s Republic of China: Hero Stone Comments on Surrogate Country Selection,” dated August 29, 2018 (Hero Stone Surrogate Country Comments); Yixin Stone’s Letter, “Antidumping Duty Investigation of Quartz Surface Products from the People’s Republic of China; Comments On Selection of Comparison Country for Surrogate Values,” dated August 29, 2018 (Yixin Stone Surrogate Country Comments); Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Comments on Surrogate Country Selection,” dated September 10, 2018 (Petitioner Rebuttal Surrogate Country Comments); CQ International’s Letter, “Certain Quartz Surface Products from the People’s Republic of China; (“Quartz Surface Products”); A-570-084; Rebuttal to Petitioner’s Comments on Surrogate Country Selection,” dated September 10, 2018 (CQ International Rebuttal Surrogate Country Comments); Hero Stone’s Letter, “Quartz Surface Products from the People’s Republic of China: Hero Stone’s Rebuttal Comments on Surrogate Country Selection,” dated September 10, 2018 (Hero Stone Rebuttal Surrogate Country Comments); Yixin Stone’s Letter, “Antidumping Duty Investigation of Quartz Surface Products from the People’s Republic of China; Rebuttal to Comments on Country Surrogate Value Selection,” dated September 10, 2018 (Yixin Stone Rebuttal Surrogate Country Comments); Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Factual Information to Value Factors of Production,” dated September 21, 2018 (Petitioner First SV Comments); CQ International’s Letter, “Certain Quartz Surface Products from the People’s Republic of China; A-570-084; Information for Valuing Surrogate Values,” dated September 21, 2018 (CQ International First SV Comments); Hero Stone’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Surrogate Value Submission,” dated September 21, 2018 (Hero Stone First SV Comments); Yixin Stone’s Letter, “Antidumping Duty Investigation of Quartz Surface Products from the People’s Republic of China; Surrogate Value Submission,” dated September 21, 2018 (Yixin Stone First SV Comments); Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Rebuttal Factual Information for Surrogate Values,” dated October 1, 2018 (Petitioner Rebuttal SV Comments); and Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Factual Information to Value Factors of Production,” dated October 15, 2018 (Petitioner Second SV Comments).

determination.²¹ In October 2018, we received a scope case brief from various importers of subject merchandise,²² and a scope rebuttal brief from the petitioner.²³

In October and November 2018, we issued additional supplemental questionnaires to CQ International, Hercules Quartz, and Yixin Stone, as well as to a separate rate applicant who provided toll processing services to CQ International. We received responses to these supplemental questionnaires in the same months.²⁴

In October 2018, the petitioner alleged that critical circumstances exist with respect to imports of QSP from China.²⁵ At our request, CQ International, Hercules Quartz, Hero Stone, and Yixin Stone provided information regarding their exports of QSP into the United States in the same month. Also, in October 2018, certain importers of subject merchandise submitted comments arguing that Commerce should find that critical circumstances do not exist because an increase in imports of QSP is attributable to seasonality and other market factors.²⁶ On November 8, 2018, we requested additional shipment data from CQ International, Hercules Quartz, Hero Stone, and Yixin Stone to perform a seasonality analysis.²⁷

In November 2018, we received additional surrogate value information from the petitioner and CQ International.²⁸ We also received requests for postponement of the final determination from Hercules Quartz, Hero Stone, and the petitioner.²⁹

²¹ See Memorandum, “Certain Quartz Surface Products from the People’s Republic of China: Scope Comments Decision Memorandum for the Preliminary Determination,” dated September 14, 2018 (Scope Decision Memorandum).

²² See Granite Tech Inc., J.G. Edelen Co., Universal Stone Inc., and Mstone, LLC’s Scope Case Brief, dated October 22, 2018 (CFFFQP Companies Scope Case Brief).

²³ See Petitioner’s Scope Rebuttal Brief, dated October 29, 2018 (Petitioner Scope Rebuttal Brief).

²⁴ See CQ International’s October 26, 2018 Second Supplemental C Questionnaire Response; CQ International’s October 26, 2018 Third Supplemental C Questionnaire Response; CQ International’s October 31, 2018 Second Supplemental D Questionnaire Response; CQ International’s November 7, 2018, Third Supplemental D Questionnaire Response; Hercules Quartz’s October 23, 2018 Supplemental Section D Questionnaire Response; Hercules Quartz’s October 31, 2018 Supplemental Section D Questionnaire Response; Hercules Quartz’s November 2, 2018 Supplemental Section D Questionnaire Response; Hercules Quartz’s November 5, 2018 Second Supplemental Questionnaire Response; Yixin Stone’s October 31, 2018 Supplemental Sections A, C, and D Questionnaire Response; Yixin Stone’s November 2, 2018 Supplemental Sections A, C, and D Questionnaire Response; and Vemy’s October 31, 2018 Supplemental SRA Questionnaire Response.

²⁵ See Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Amendment to Petition for the Imposition of Antidumping and Countervailing Duties to Allege Existence of Critical Circumstances,” dated October 9, 2018 (Critical Circumstances Allegation).

²⁶ See Arizona Tile, M S International, Inc., Quartz Stone Inc., Surface Warehouse, LP dba US Surfaces and US Surface Warehouse, and Bedrosians Tile and Stone’s Letter, “Quartz Surface Products from the People’s Republic of China: Factual Information to Clarify Export Data Relevant to the Department’s “Critical Circumstances” Determination, dated October 29, 2018 (Certain Importers’ Critical Circumstances Letter).

²⁷ Note that the requested data is due after the date of this preliminary determination; we will consider any information submitted for the final determination.

²⁸ See CQ International’s Letter, “Certain Quartz Surface Products from the People’s Republic of China; A-570-084; Submission of Additional Surrogate Value Information,” dated November 2, 2018 (CQ International Second SV Comments); Petitioner’s Letter, “Quartz Surface Products from the People’s Republic of China: Additional Surrogate Value Information,” dated November 2, 2018 (Petitioner Third SV Comments); and Petitioner’s Letter, “Quartz Surface Products from the People’s Republic of China: Additional Surrogate Value Information,” dated November 5, 2018 (Petitioner Fourth SV Comments).

²⁹ See Hercules Quartz’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Request to

On November 8, 2018, pursuant to section 782(a) of the Act, Commerce determined not to select Hirsch Glass as a voluntary respondent because selecting any additional company for individual examination would be unduly burdensome and would inhibit the timely completion of this investigation.³⁰

III. DETERMINATION NOT TO SELECT HIRSCH GLASS AS A VOLUNTARY RESPONDENT

Section 777A(c)(1) of the Act directs Commerce to calculate an individual weighted-average dumping margin for each known exporter or producer of the subject merchandise. However, section 777A(c)(2) of the Act gives Commerce discretion to limit its examination to a reasonable number of exporters and producers if it is not practicable to make individual weighted-average dumping margin determinations because of the large number of exporters and producers involved in the review. When Commerce limits the number of exporters examined in an investigation pursuant to section 777A(c)(2) of the Act, section 782(a)(1) of the Act directs Commerce to calculate individual weighted-average dumping margins for companies not initially selected for individual examination that voluntarily provide the information requested of the mandatory respondents if: 1) the information is submitted by the due date specified for exporters or producers initially selected for examination; and 2) the number of companies subject to the review is not so large that any additional individual examination of companies that have voluntarily provided information would be unduly burdensome and inhibit the timely completion of the investigation.

Under section 782(a) of the Act, as amended by the Trade Preferences Extension Act of 2015 (TPEA), in determining whether it would be unduly burdensome to examine a voluntary respondent, Commerce may consider: 1) the complexity of the issues or information presented in the proceeding, including questionnaires and any responses thereto; 2) any prior experience of Commerce in the same or similar proceedings; 3) the total number of investigations or reviews being conducted by Commerce; and 4) such other factors relating to the timely completion of those investigations and reviews.³¹ In *Grobtest*, the U.S. Court of International Trade (CIT) remanded to Commerce its decision not to review a voluntary respondent in light of the administrative burden associated with reviewing the number of mandatory respondents selected.³² The CIT held that “Commerce {must} separately determine whether reviewing the

Postpone the Final Determination of the Investigation,” dated November 6, 2018; Hero Stone’s Letter, “Quartz Surface Products from the People’s Republic of China: Request to Postpone the Final Determination of the Investigation,” dated November 9, 2018; and Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: Amended Request for Postponement of Final Determination,” dated November 8, 2018.

³⁰ See Memorandum, “Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from China: Selection of Voluntary Respondent,” dated November 8, 2018.

³¹ On June 29, 2015, the President of the United States signed into law the TPEA, which made numerous amendments to the AD and CVD law, including amendments to section 782(a) of the Act. See the TPEA, Public Law 114-27, 129 Stat. 362 (2015). The amendments to the Act are applicable to determinations made on or after August 6, 2015, and, therefore, apply to this review. See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015: Interpretive Rule*, 80 FR 46793 (August 6, 2015) (*TPEA Application Dates*).

³² See *Grobtest & I-Mei Industrial (Vietnam) Co. v. United States*, 815 F. Supp. 2d 1342, 1362 (CIT 2012) (*Grobtest*).

voluntary respondents would be unduly burdensome and inhibit the timely completion of the investigation.”³³

As explained in its November 8, 2018, memorandum declining to select Hirsch Glass as a voluntary respondent, Commerce considered the criteria in section 782(a)(2) of the Act to determine whether it would be unduly burdensome to review a voluntary respondent at that time.³⁴ Pursuant to section 782(a) of the Act, as amended by the TPEA, we determined that examining Hirsch Glass as a voluntary respondent would be unduly burdensome and would inhibit the timely completion of the investigation. In coming to our determination, we considered the following factors: 1) the complexity of the issues or information presented in this investigation; 2) any prior experience of Commerce in the same or similar proceedings; 3) the total number of investigations or reviews being conducted by Commerce; and 4) such other factors relating to the timely completion of those investigations and reviews.³⁵ Based on these criteria, Commerce found that, because of the complexity of the information presented in the proceeding and the total number of investigations and reviews being conducted as of the date of the determination, it only had sufficient resources to examine four mandatory respondents. Thus, consistent with section 782(a) of the Act, Commerce has not considered Hirsch Glass’ unsolicited questionnaire responses and has not selected Hirsch Glass as a voluntary respondent.³⁶

IV. PERIOD OF INVESTIGATION

The POI is October 1, 2017, through March 31, 2018. This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the Petition, which was April 2018.³⁷

V. SCOPE COMMENTS

In accordance with the *Preamble* to our regulations,³⁸ the *Initiation Notice* set aside a period of time for parties to raise issues regarding product coverage, *i.e.*, scope.³⁹ From May through August 2018, we received comments from certain interested parties⁴⁰ on the scope of this investigation as it appeared in the *Initiation Notice*. Based on our analysis of these comments, we made no preliminary revisions to the scope, which is reflected in Appendix I of the *Federal Register* notice that this preliminary decision memorandum accompanies. For a summary of the scope comments and rebuttal responses submitted to the record for this preliminary

³³ *Id.* (citation omitted).

³⁴ See Voluntary Respondent Memorandum at 3-5.

³⁵ *Id.* at 4-5.

³⁶ See Voluntary Respondent Memorandum.

³⁷ See 19 CFR 351.204(b)(1).

³⁸ See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997) (*Preamble*).

³⁹ See *Initiation Notice*, 83 FR at 22614-15.

⁴⁰ As noted in the “Background” section, above, we received comments on the scope of this investigation from: the petitioner; Granite Tech Inc.; J.G. Edelen Co.; StoneVic-Kedin USA, Ltd.; Universal Stone Inc.; Bruskin International, LLC d/b/a Belstone, Mstone, LLC, and Polarstone US Inc.; DongGuan Universal Material Ltd.; and BlueBoat International, LLC.

determination and accompanying analysis of all comments timely received, *see* the Scope Decision Memorandum.⁴¹

On October 22, 2018, we received a case brief related to the scope of the investigation from various U.S. importers.⁴² On October 29, 2018, we received a rebuttal brief from the petitioner.⁴³ We will issue a determination on the issues raised in these briefs no later than the date of the final determination of this investigation.

VI. DISCUSSION OF THE METHODOLOGY

A. Non-Market Economy Country

Commerce considers China to be an NME country.⁴⁴ In accordance with section 771(18)(C)(i) of the Act, a determination that a country is an NME country shall remain in effect until revoked by the administering authority. Further, no party submitted a request to reconsider China's NME status as part of this investigation. Therefore, we continue to treat China as an NME country for purposes of this preliminary determination.

B. Surrogate Country

When Commerce is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base normal value (NV), in most circumstances, on the NME producer's factors of production (FOPs), valued in a surrogate market economy (ME) country or countries considered to be appropriate by Commerce. Specifically, in accordance with section 773(c)(4) of the Act, in valuing the FOPs, Commerce shall utilize, "to the extent possible, the prices or costs of FOPs in one or more ME countries that are: (A) at a level of economic development comparable to that of the NME country; and (B) significant producers of comparable merchandise."⁴⁵ As a general rule, Commerce selects a surrogate country that is at the same level of economic development as the NME unless it is determined that none of the countries are viable options because (a) they either are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available surrogate value (SV) data, or (c) are not suitable for use based on other reasons. Surrogate countries that are not at the same level of economic development as the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development. To determine which countries are at a similar level of economic development, Commerce generally relies solely on per capita gross national income

⁴¹ See Scope Decision Memorandum.

⁴² See CFFFQP Companies' Scope Case Brief.

⁴³ See Petitioner Scope Rebuttal Brief.

⁴⁴ See *Antidumping Duty Investigation of Certain Aluminum Foil from the People's Republic of China: Affirmative Preliminary Determination of Sales at Less-Than-Fair Value and Postponement of Final Determination*, 82 FR 50858, 50861 (November 2, 2017) (citing Memorandum, "China's Status as a Non-Market Economy," dated October 26, 2017 (China NME Status Memo)), unchanged in *Certain Aluminum Foil from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 83 FR 9282 (March 5, 2018).

⁴⁵ See Commerce Policy Bulletin No. 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (Policy Bulletin 04.1) available on Commerce's website at <http://enforcement.trade.gov/policy/bull04-1.html>.

(GNI) data from the World Bank’s World Development Report.⁴⁶ In addition, if more than one country satisfies the two criteria noted above, Commerce narrows the field of potential surrogate countries to a single country (pursuant to 19 CFR 351.408(c)(2), Commerce will normally value FOPs in a single surrogate country) based on data availability and quality.

On July 16, 2018, Commerce issued a letter to the interested parties soliciting comments on the list of countries that Commerce determined, based on per capita GNI, to be at the same level of economic development as China, the selection of the primary surrogate country, and we provided deadlines for the consideration of any submitted SV information for the preliminary determination.⁴⁷ On October 3, 2018, we issued a revised list of surrogate countries which identified Brazil, Kazakhstan, Malaysia, Mexico, Romania, and Russia as being at the same level of economic development as China.⁴⁸ We received timely comments on both surrogate country lists and on surrogate country selection from the petitioner, CQ International, Hercules Quartz, Hero Stone, and Yixin Stone.⁴⁹

The petitioner argues that Commerce should select Mexico as the primary surrogate country.⁵⁰ The petitioner notes that Mexico is not only comparable in terms of economic development with China, but it is also a significant exporter of identical and comparable merchandise and offers reliable import data to value respondents’ FOPs. CQ International, Hercules Quartz, Hero Stone, and Yixin Stone argue that Commerce should select Malaysia as the primary surrogate country for similar reasons (*i.e.*, Malaysia is economically comparable to China, is a significant producer of identical or comparable merchandise, and offers reliable import data to value respondents’ FOPs).

Economic Comparability

Section 773(c)(4) of the Act states that Commerce “shall utilize, to the extent possible, the prices or costs of {FOP}s in one or more market economy countries that are . . . at a level of economic development comparable to that of the {NME} country.” However, the applicable statute does not expressly define the phrase “level of economic development comparable” or what methodology Commerce must use in evaluating the criterion. Commerce’s regulations at 19 CFR 351.408(b) state that, in determining whether a country is at a level of economic

⁴⁶ *Id.*

⁴⁷ See Letter, “Less Than Fair Value Investigation of Certain Quartz Surface Products from the People’s Republic of China: Request for Economic Development, Surrogate Country and Surrogate Value Comments and Information,” dated July 16, 2018 (Surrogate Country Memo).

⁴⁸ See Letter, “Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People’s Republic of China: Revised List of Surrogate Countries,” dated October 3, 2018 (Revised List of Surrogate Countries).

⁴⁹ See Petitioner Surrogate Country Comments; Hercules Quartz Surrogate Country Comments; Hero Stone Surrogate Country Comments; Yixin Stone Surrogate Country Comments; Petitioner Rebuttal Surrogate Country Comments; CQ International Rebuttal Surrogate Country Comments; Hero Stone Rebuttal Surrogate Country Comments; Yixin Stone Rebuttal Surrogate Country Comments; Petitioner First SV Comments; CQ International First SV Comments; Hero Stone First SV Comments; Yixin Stone First SV Comments; Petitioner Rebuttal SV Comments; Petitioner Second SV Comments; Petitioner Third SV Comments; CQ International Second SV Comments; and Petitioner Fourth SV Comments.

⁵⁰ See Petitioner’s Letter, “Certain Quartz Surface Products from the People’s Republic of China: General Comments on the Preliminary Determination,” dated October 18, 2018, at 2-10 (citing, *e.g.*, the Petition at Exhibit II-6).

development comparable to the NME country, Commerce will place primary emphasis on per capita GDP as the measure of economic comparability.⁵¹ The CIT has found the use of per capita GNI to be a “consistent, transparent, and objective metric to identify and compare a country’s level of economic development” and “a reasonable interpretation of the statute.”⁵²

Unless it is determined that none of the countries identified above 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, we will rely on data from one of these countries.

Consistent with its practice, and section 773(c)(4)(A) of the Act,⁵³ as noted above, Commerce identified Brazil, Kazakhstan, Malaysia, Mexico, Romania, and Russia as countries at the same level of economic development as China based on the most current annual issue of *World Development Report* (The World Bank).⁵⁴

Significant Producer of Comparable Merchandise

Section 773(c)(4)(B) of the Act requires Commerce, to the extent possible, to value FOPs in a surrogate country that is a significant producer of comparable merchandise. Neither the statute nor Commerce’s regulations provide further guidance on what may be considered comparable merchandise. Among the factors we consider in determining whether a country is a significant producer of comparable merchandise is whether the country is an exporter of comparable merchandise. In order to determine whether the above-referenced countries are significant producers of comparable merchandise, Commerce’s practice is to examine which countries on the surrogate country list exported merchandise comparable to the subject merchandise. Parties have placed complete data for Mexico and limited data for Malaysia on the record.⁵⁵ No party provided complete surrogate value information for the other countries on the list (*i.e.*, for Brazil, Kazakhstan, Romania, or Russia), nor has any party argued in favor of using surrogate value information for any of the other countries.

Information on the record indicates that Mexico is a significant exporter of merchandise covered by HTS categories identified in the scope of this investigation (*i.e.*, identical merchandise), while both Mexico and Malaysia are significant exporters of comparable merchandise.⁵⁶ However,

⁵¹ Commerce uses per capita GNI as a proxy for per capita GDP. GNI is GDP plus net receipt of primary income (compensation of employees and property income) from nonresident sources. See Policy Bulletin 04.1.

⁵² See *Jiaying Brother Fastener Co. v. United States*, 961 F. Supp. 2d 1323, 1329 (CIT 2014).

⁵³ See Surrogate Country Memo.

⁵⁴ *Id.* See also Revised List of Surrogate Countries.

⁵⁵ See Petitioner First SV Comments; CQ International First SV Comments; Hero Stone First SV Comments; Yixin Stone First SV Comments; Petitioner Rebuttal SV Comments; Petitioner Second SV Comments; Petitioner Third SV Comments; CQ International Second SV Comments; and Petitioner Fourth SV Comments.

⁵⁶ See *e.g.*, Hercules Quartz Surrogate Country Comments at 3-5. For example, the petitioner noted that a 2017 study entitled *World Production and Consumption of Ceramic Tiles* ranked Mexico among the top ten producers of ceramic tile in the world, and Mexico exported 98,548,215 square meters of ceramic tile in 2017, thus indicating that its production is significant. See Petitioner Surrogate Country Comments at 6 and Exhibits 10 and 11. Additionally, with regards to exports of comparable merchandise under HTS 6810.99, both Mexico and Malaysia had significant exports in 2017; 56,551 metric tons and 601,963 metric tons, respectively. See Hero Stone Surrogate Country Comments at 10 and Exhibit 4.

evidence from the parties shows that Malaysia, though it is a producer of similar merchandise, does not actually produce QSP; to the contrary, Mexico actually produces (and exports to the United States) identical merchandise under the relevant U.S. HTS heading.⁵⁷ No such imports into the United States, during 2017, were recorded from Malaysia.⁵⁸ Accordingly, we preliminarily find that both Mexico and Malaysia meet the significant producer of comparable merchandise prong of the surrogate country selection criteria as provided in section 773(c)(4)(B) of the Act. However, given the data availability issues (discussed below), we preliminarily determine that Mexico's position as a producer of identical merchandise, in conjunction with better data availability for Mexico, as described below, make Mexico the preferred surrogate country.

Data Availability

If more than one potential surrogate country satisfies the statutory requirements for selection as a surrogate country, Commerce selects the primary surrogate country based on data availability and reliability.⁵⁹ When evaluating surrogate value data, Commerce considers several factors, including whether the surrogate values are publicly available, contemporaneous with the POI, representative of a broad market average, tax and duty-exclusive, and specific to the inputs being valued.⁶⁰ There is no hierarchy among these criteria.⁶¹ It is Commerce's practice to carefully consider the available evidence in light of the particular facts of each industry when undertaking its analysis.⁶²

Parties have placed complete data for Mexico and limited data for Malaysia on the record.⁶³ The petitioner argues that we should use Global Trade Atlas (GTA) and financial statement data from Mexico to value respondents' FOPs, while the mandatory respondents argue that Commerce should collect GTA data for Malaysia and use them along with submitted Malaysian financial statements. Commerce finds that the Mexico data are the best available data for valuing respondents' FOPs because we have complete, specific Mexican GTA data for each input used by the respondents, while we have no Malaysian GTA data on the record. Further, the Mexican surrogate financial statements on the record are for a company which produces ceramic wall and floor tiles, while it is unclear whether the Malaysian surrogate financial statements are for a company that manufactures QSP or merely fabricating QSP that were manufactured in another country. Therefore, because complete surrogate value information is available from Mexico and the financial statements from Mexico are more reliable, Commerce preliminarily determines that Mexico data are the best available surrogate value data.

⁵⁷ See Petitioner Rebuttal Surrogate Country Comments at 4-10 and Exhibit 22.

⁵⁸ *Id.*

⁵⁹ See Policy Bulletin 04.1.

⁶⁰ *Id.*

⁶¹ See, e.g., *Certain Preserved Mushrooms from the People's Republic of China: Final Results and Final Partial Rescission of the Sixth Administrative Review*, 71 FR 40477 (July 17, 2006), and accompanying Issues and Decision Memorandum (IDM) at Comment 1.

⁶² See Policy Bulletin 04.1.

⁶³ See Petitioner First SV Comments; CQ International First SV Comments; Hero Stone First SV Comments; Yixin Stone First SV Comments; Petitioner Rebuttal SV Comments; Petitioner Second SV Comments; Petitioner Third SV Comments; CQ International Second SV Comments; and Petitioner Fourth SV Comments.

For the reasons stated above, Commerce preliminarily determines, pursuant to section 773(c)(4) of the Act, that it is appropriate to use Mexico as the primary surrogate country because Mexico is (1) at a level of economic development comparable to the China; (2) a significant producer of merchandise comparable to the subject merchandise; and (3) contains the best available data for valuing FOPs. Therefore, Commerce has calculated NV using Mexican data when available and appropriate to value respondents' FOPs.

For a detailed discussion of the surrogate values used in this LTFV proceeding, *see* the "Factor Valuation" section below and the Preliminary SV Memo.⁶⁴

C. 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.⁶⁵ In the *Initiation Notice*, Commerce notified parties of the application process by which exporters may obtain separate rate status in an NME proceeding.⁶⁶ It is Commerce'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 its export activities. To establish whether a company is sufficiently independent to be entitled to a separate, company-specific rate, Commerce analyzes each exporting entity in a NME country under the test established in *Sparklers*,⁶⁷ as amplified by *Silicon Carbide*.⁶⁸ However, if Commerce 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.⁶⁹

Under the separate rates test, Commerce 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.⁷⁰

⁶⁴ See Memorandum, "Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People's Republic of China: Surrogate Value Memorandum for the Preliminary Determination," dated concurrently with this memorandum (Preliminary SV Memo).

⁶⁵ 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).

⁶⁶ See *Initiation Notice*, 83 FR at 22617.

⁶⁷ 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*).

⁶⁸ 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*).

⁶⁹ 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 China*).

⁷⁰ See *Sparklers*, 56 FR at 20589.

Further, Commerce 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 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.⁷¹

Commerce continues to evaluate its practice with regard to the separate rates analysis in light of the *Diamond Sawblades from China* AD proceeding, and Commerce's determinations therein.⁷² In particular, we note that in litigation involving the *Diamond Sawblades* proceeding, the CIT found Commerce's existing separate rates analysis deficient in the circumstances of that proceeding, in which a government-controlled entity had significant ownership in the respondent exporter.⁷³ We have concluded that, where a government entity holds a majority ownership share, either directly or indirectly, in an 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 that a 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.

⁷¹ 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).

⁷² 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 available 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 (PDM) 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 IDM at Comment 1.

⁷³ 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).

D. Separate Rate Recipients

In accordance with our practice, Commerce analyzed whether each company submitting both a Quantity and Value (Q&V) response and a Separate Rate Application (SRA) in this investigation 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 Chinese Government ownership of CQ International, Hercules Quartz, Yixin Stone, and the exporters listed in Appendices I and II of this document, and we further preliminarily find that those companies otherwise are entitled to a separate rate in this review. As discussed below, we preliminarily find Hero Stone, Foshan Quartz Stone, HK Hero Stone, and Vemy have not demonstrated entitlement to a separate rate.

1) Wholly Foreign-Owned Companies

CQ International and 31 other exporters submitted information indicating that they are each wholly foreign-owned by a company and/or individual located in a market economy (ME) country.⁷⁴ Because they are wholly foreign-owned, and we have no evidence indicating that the Chinese government controls CQ International's or the other 31 companies' export activities, an analysis of the *de jure* and *de facto* criteria is not necessary to determine whether these companies are independent from government control.⁷⁵ Therefore, we are preliminarily granting separate rates to CQ International and the exporters listed in Appendix I.

2) Wholly China-Owned Companies and Joint Ventures

We received SRAs from 109 exporters, plus Hercules Quartz and Yixin Stone, who stated that they are either Chinese joint-stock limited companies or are wholly Chinese-owned companies.⁷⁶ In accordance with our practice, Commerce 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

Commerce 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.⁷⁷

The evidence provided by Hercules Quartz, Yixin Stone, and the exporters listed in Appendix II supports a preliminary finding of an absence of *de jure* government control for each of these companies based on the following: (1) an absence of restrictive stipulations associated with the

⁷⁴ See, e.g., CQ International July 20, 2018 AQR at 15.

⁷⁵ See, e.g., *Seamless Refined Copper Pipe and Tube from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 75 FR 26716, 26720 (May 12, 2010), unchanged in *Seamless Refined Copper Pipe and Tube from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 75 FR 60725 (October 1, 2010).

⁷⁶ See Appendix I for a list of these exporters.

⁷⁷ See *Sparklers*, 56 FR at 20589.

individual exporters' business and export licenses; (2) the existence of applicable legislative enactments decentralizing control of the companies; and (3) the implementation of formal measures by the government decentralizing control of Chinese companies.⁷⁸

b. Absence of *De Facto* Control

Typically, the Department considers four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the export prices (EPs) are set by, or are subject to the approval of, a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding the disposition of profits or financing of losses.⁷⁹ Commerce has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of government control which would preclude Commerce from assigning separate rates.

The evidence provided by Hercules Quartz, Yixin Stone, and the exporters listed in Appendix II 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 disposition of profits or financing of losses.

Therefore, the evidence placed on the record of this investigation by Hercules Quartz, Yixin Stone, and the exporters listed in Appendix II demonstrates an absence of *de jure* and *de facto* government control under the criteria identified in *Sparklers* and *Silicon Carbide*.⁸⁰ Accordingly, we are preliminarily granting separate rates to Hercules Quartz, Yixin Stone, and the exporters listed in Appendix II.

E. Companies Not Receiving a Separate Rate

We preliminarily determine that Hero Stone, Foshan Quartz Stone, HK Hero Stone, and Vemy are not eligible to receive a separate rate, as explained below.

⁷⁸ See, e.g., Hercules Quartz July 20, 2018 AQR at A-8 to A-12 and Yixin Stone July 20, 2018 AQR at 2 to 10.

⁷⁹ See *Silicon Carbide*, 59 FR at 22586-87; and *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).

⁸⁰ See *Sparklers*, 56 FR at 20589; and *Silicon Carbide*, 59 FR at 22586-89; see also, e.g., Hercules Quartz July 20, 2018 AQR at A-8 to A-19 and Yixin Stone July 20, 2018 AQR at 2 to 17.

1. Absence of *De Jure* Control

The evidence provided by Hero Stone,⁸¹ Foshan Quartz Stone,⁸² HK Hero Stone,⁸³ and Vemy⁸⁴ supports a preliminary finding of an absence of *de jure* government control for each of these companies based on the following: (1) an absence of restrictive stipulations associated with the individual exporters' business and export licenses; (2) the existence of applicable legislative enactments decentralizing control of the companies; and (3) the implementation of formal measures by the government decentralizing control of Chinese companies.

2. Failure to Demonstrate Absence of *De Facto* Control

a. Hero Stone, Foshan Quartz Stone, and HK Hero Stone

Commerce preliminarily determines that Hero Stone, Foshan Quartz Stone, and HK Hero Stone have not demonstrated an absence of *de facto* government control.⁸⁵ As discussed above, Commerce considers four factors in evaluating whether a respondent is subject to *de facto* government control: (1) whether it sets its own EPs independent of the government and without the approval of a government authority; (2) whether it has the authority to negotiate and sign contracts and other agreements; (3) whether it maintains autonomy from the government in making decisions regarding the selection of management; and (4) whether it retains the proceeds of its respective export sales and make independent decisions regarding disposition of profits or financing of losses.

As discussed above, Hero Stone was selected as a mandatory respondent in this investigation, and it submitted a consolidated questionnaire response on behalf of itself and its affiliates.⁸⁶ Further, Foshan Quartz Stone and HK Hero Stone also filed individual SRAs.⁸⁷ On July 2, 2018, Hero Stone notified Commerce that it, Foshan Quartz Stone, and HK Hero Stone had unsophisticated accounting systems, and that none of the three companies maintained complete financial records, used a general ledger, or prepared trial balances or financial statements. Given the significant deficiencies in the record-keeping practices of these companies, we preliminarily find that their accounting systems are unreliable and, as a result, the information recorded in these systems is unusable for purposes of a separate rates analysis.⁸⁸ Because Hero Stone and its affiliates have claimed business proprietary treatment for many of the facts on which this conclusion is based, we are unable to discuss them here. For further discussion, *see* Memorandum, "Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the

⁸¹ See Hero Stone July 20, 2018 AQR, at A-10 to A-13, and Exhibits A-4 and A-5.

⁸² See Foshan Quartz Stone's July 9, 2018 Separate Rate Application (Foshan Quartz Stone SRA), at 10-13, and Exhibits 3 and 4.

⁸³ See HK Hero Stone's July 9, 2018 Separate Rate Application (HK Hero Stone SRA), at 10-12, and Exhibit 3.

⁸⁴ See Vemy's July 11, 2018 Separate Rate Application, at 9-13, and Exhibits 3 and 4.

⁸⁵ See *Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and Intent to Rescind Review in Part*, 76 FR 76135 (December 6, 2011).

⁸⁶ See, e.g., Hero Stone July 20, 2018 AQR at A-1.

⁸⁷ See Foshan Quartz Stone SRA and HK Hero Stone SRA.

⁸⁸ See, e.g., *Nippon Steel Corp. v. United States*, 337 F.3d 1373, 1382 (Fed. Cir. 2003) (sustaining Commerce's application of AFA where a company did not maintain adequate books and records ("While the standard does not require perfection and recognizes that mistakes sometimes occur, it does not condone inattentiveness, carelessness, or inadequate record keeping")).

People’s Republic of China: Additional Analysis Regarding Preliminary Determination that Foshan Hero Stone Co., Ltd., Foshan Quartz Stone Imp & Exp Co., Ltd., and Hero Stone Co., Limited Are Part of the China-Wide Entity,” dated concurrently with this memorandum.

Under the *de facto* separate rates analysis, all the *de facto* criteria can be, in some way or another, supported (or refuted) by data recorded in a company’s accounting system. For example, the setting of export prices criterion is supported by actual prices reflected in the accounting system; the selection of management criterion is supported by salary payments recorded in the accounting system to specific individuals, and so on. In other words, a company’s accounting system is a cornerstone of Commerce’s *de facto* separate rates analysis, and a company must satisfy all of the criteria in order to demonstrate eligibility for a separate rate.

The separate rates analysis requires that the respondent provide evidence to rebut Commerce’s presumption of NME control over all exporters. Where a respondent is unable to overcome that presumption, Commerce will treat that respondent as part of the China-wide entity. Here, Hero Stone, Foshan Quartz Stone, and HK Hero Stone provided certain documents they claim establish *de jure* separation from the government. Nonetheless, Hero Stone, Foshan Quartz Stone, and HK Hero Stone’s responses related to their export sales process and its disposition of export proceeds, distribution of profits, and financing of losses directly implicate their accounting systems. Given the significant deficiencies in the record-keeping practices of these companies, their accounting systems are unreliable and, as a result, the information recorded in these systems is unusable for purposes of a separate rates analysis. Therefore, Commerce cannot conclude through verifiable evidence that Hero Stone, Foshan Quartz Stone, and HK Hero Stone set their own prices or retain export revenue, despite their statements on the record with respect to these factors, and, thus, we preliminarily find that they have not demonstrated an absence of *de facto* control for purposes of this preliminary determination. We are therefore preliminarily denying a separate rate to Hero Stone, Foshan Quartz Stone, and HK Hero Stone.

b. Vemy

On May 29, 2018, Vemy timely filed a Q&V questionnaire response in this investigation; and on July 11, 2018, Vemy timely filed an SRA. On October 17, 2018, Commerce issued Vemy a supplemental questionnaire in which it requested additional, supplemental information from Vemy. In the cover letter to the supplemental questionnaire to Vemy, Commerce stated that “we are evaluating Vemy’s separate rate application and these questions also apply to Vemy’s separate rate eligibility.”⁸⁹ Further, in the same cover letter, we specified that “{i}f Commerce does not receive either the requested information or a written extension request before 5:00 p.m. {Eastern Time} on the established deadline, we may conclude that Vemy has decided not to cooperate in this proceeding.”⁹⁰ Vemy’s response, in which it refused to provide the requested reconciliation (and did not request an extension of time), indicates that Vemy has decided not to cooperate to the best of its ability in this proceeding.

⁸⁹ See Commerce October 17, 2018 Supplemental Questionnaire to Vemy, cover letter at 1.

⁹⁰ *Id.*, cover letter at 2.

In refusing to provide the information, Vemy asserted that it obtains no benefit from responding to Commerce's questionnaires;⁹¹ however, this assertion is false. The information requested by Commerce would otherwise be used to validate and calculate a dumping margin for CQ International, whose rate feeds into the separate rate calculation; thus, the information requested from Vemy is directly related to the separate rate calculation, which could stand to directly benefit Vemy. Further, the SRA itself provides the following:

If the applicant does not provide the required documentation in the appropriately required form or is unable or unwilling to make the requested certifications, the applicant will not have demonstrated its eligibility for a separate rate. If necessary, {Commerce} will issue questionnaires for the purpose of clarifying fully responsive answers. {Commerce} retains the right to require additional information concerning the representations made in your firm's application. All information submitted and representations made by applicants are subject to verification.⁹²

Thus, Vemy has not abided by the terms of the SRA by failing to provide requested supplemental information. Commerce's separate rate application, practice and procedures only require a limited response from separate rate respondents, rather than the complete sales and factors responses required from mandatory respondents. Separate rate applicants therefore receive a benefit not given to mandatory respondents, but under the caveat that due to this limited reporting requirement, Commerce reserves the right to request additional information from separate rate applicants which is necessary to conduct its investigation or review. Vemy's refusal to provide the requested information is therefore a direct affront to Commerce's separate rate application process and practice – impeding the proceeding and avoiding the company's responsibility to answer requests for information by the investigating agency. By analogy, Vemy's actions are akin to a mandatory respondent's refusal to provide a complete and verifiable response. Absent such necessary data, Commerce' ability to conduct an investigation based on record evidence is hampered.

Commerce preliminarily determines that, in accordance with sections 776(a)(2) of the Act, Vemy withheld requested necessary information from Commerce pursuant to section 776(a)(1) and 776(a)(2)(A) of the Act; failed to provide information by the deadlines for submission pursuant to section 776(a)(2)(B) of the Act; and significantly impeded this investigation by not providing the requested information pursuant to section 776(a)(2)(C) of the Act.⁹³ The statutory and regulatory framework for the application of facts available and adverse facts available is explained in detail below in the section titled "Application of Facts Available and Adverse Inferences."

We further preliminarily determine that Vemy has failed to cooperate to the best of its ability to comply with our request for information, pursuant to section 776(b) of the Act. We initially requested the SRA-related information directly from CQ International, and when CQ

⁹¹ See Vemy October 31, 2018 Response at 3.

⁹² See China Separate Rate Application at 6 (website: <https://enforcement.trade.gov/nme/sep-rate-files/app-20150323/prc-sr-app-20150323.pdf>, accessed on November 6, 2018).

⁹³ See Vemy October 31, 2018 Response at 3 ("Vemy is unwilling and unable to provide this cost reconciliation to the Department").

International informed us that it would be unable to obtain the information from Vemy, we sent Vemy the aforementioned supplemental questionnaire, to which it responded “Vemy is unwilling and unable to provide this cost reconciliation to the Department.”⁹⁴

Section 782(d) provides that where Commerce determines that a response to a request for information does not comply with the request, Commerce will so inform the party submitting the response and will, to the extent practicable, provide that party an opportunity to remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, Commerce may disregard all or part of the original and subsequent responses, as appropriate. Here, CQ International’s initial indication that it was unable to get the data from Vemy, followed by Vemy’s very pointed response to the supplemental questionnaire that it was both “unwilling and unable” to provide Commerce the information indicates that any further requests of Vemy would have been similarly disregarded. We therefore preliminarily determine that the requirements of 782(d) have been satisfied to the extent that Commerce may conclude that Vemy did not intend to complete the requirements of its SRA, thereby warranting the disregard of its initial submission.

Due to Vemy’s demonstrated failure to cooperate with our requests for information related to its separate rate application, we are applying adverse inferences, in accordance with 776(b) of the Act, and have thus preliminarily determined that Vemy’s separate rate application is incomplete and invalid, due to Vemy’s refusal to fully answer Commerce’s supplemental questions. Without a complete and valid separate rate questionnaire response, we determine that Vemy has not met the *de facto* separate rate criteria and does not qualify for a separate rate for the preliminary determination of this investigation. Therefore, we are preliminarily determining not to grant a separate rate to Vemy.

F. Margin for the Separate Rate Companies

Normally, Commerce’s practice is to assign to separate rate entities that were not individually examined a rate equal to the average of the rates calculated for the individually examined respondents, excluding any rates that are zero, *de minimis*, or based entirely on adverse facts available (AFA), in accordance with section 735(c)(5)(A) of the Act.⁹⁵ The statute further provides that, where all margins are zero rates, *de minimis* rates, or rates based entirely on facts available, Commerce may use “any reasonable method” for assigning the rate to non-selected respondents.⁹⁶ Consistent with this practice, for this preliminary determination, we calculated weighted-average dumping margins for the mandatory respondents which are not zero, *de minimis*, or based entirely on facts available. Therefore, we preliminarily assign the non-

⁹⁴ *Id.*

⁹⁵ See, e.g., *Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People’s Republic of China*, 71 FR 77373, 77377 (December 26, 2006), unchanged in *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People’s Republic of China*, 72 FR 19690 (April 19, 2007).

⁹⁶ See 735(c)(5)(B) of the Act.

individually examined companies listed in Appendices I and II a rate of 290.86 percent, which is equal to the weighted average of the rates calculated for the mandatory respondents.⁹⁷

G. Combination Rates

In the *Initiation Notice*, Commerce stated that it would calculate combination rates for respondents that are eligible for a separate rate in this investigation.⁹⁸ This practice is described in Policy Bulletin 05.1.

H. The China-Wide Entity

The record indicates that there are other Chinese exporters and/or producers of QSP during the POI that did not respond to Commerce's requests for information. Specifically, Commerce did not receive responses to its Q&V questionnaire from numerous Chinese exporters and/or producers of QSP that were named in the Petition, as well as certain of these exporters to whom Commerce issued the Q&V questionnaire.⁹⁹ Because non-responsive Chinese companies have not demonstrated that they are eligible for separate rate status, Commerce considers them part of the China-wide entity. Furthermore, as explained in the next section, we preliminarily determine to calculate the China-wide rate on the basis of AFA. We have preliminarily assigned the China-wide entity a dumping margin of 341.29 percent.

As discussed above, we have determined not to grant a separate rate to Hero Stone, Foshan Quartz Stone, HK Hero Stone, and Vemy. Specifically, we found these companies have not demonstrated an absence of *de facto* government control. Because Hero Stone, Foshan Quartz Stone, HK Hero Stone, and Vemy have not demonstrated that they are eligible for separate rate status, Commerce considers them part of the China-wide entity.

I. Application of Facts Available and Adverse Inferences

Section 776(a)(1) and (2) of the Act provides that, if necessary information is missing from the record, or if an interested party (A) withholds information that has been requested by Commerce, (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act, (C) significantly impedes a proceeding under the AD statute, or (D) provides such information but the information cannot be verified, Commerce shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

Where Commerce determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that Commerce will so inform the party submitting the response and will, to the extent practicable, provide that party an opportunity to

⁹⁷ See Memorandum, "Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People's Republic of China: Preliminary Margin for Companies Receiving a Separate Rate," dated concurrently with this memorandum (Preliminary Separate Rates Memo).

⁹⁸ See *Initiation Notice*, 83 FR 22617.

⁹⁹ See Q&V Questionnaire Delivery Memo, documenting that Fasa Industrial Corporation Ltd.; Fujian Nanan Yongxian Stone Co., Ltd.; LG Hausys Trading Co., Ltd.; Xiamen Gorgeous Stone Co., Ltd; and Xiamen Maywell Import & Export Co., Limited did not respond to the Q&V questionnaire.

remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, Commerce may disregard all or part of the original and subsequent responses, as appropriate.

Section 776(b) of the Act provides that Commerce may use an adverse inference in applying the facts otherwise available when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. In doing so, Commerce is not required to determine, or make any adjustments to, a weighted-average dumping margin based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information. Further, section 776(b)(2) of the Act states that an adverse inference may include reliance on information derived from the Petition, the final determination from the LTFV investigation, a previous administrative review, or other information placed on the record.

1. Use of Facts Available

Commerce preliminarily finds that the China-wide entity, which includes Hero Stone, Foshan Quartz Stone, HK Hero Stone, Vemy, and other Chinese exporters and/or producers that did not respond to Commerce's requests for information, failed to provide necessary information, withheld information requested by Commerce, failed to provide information in a timely manner, significantly impeded this proceeding by not submitting the requested information, and provided information that cannot be verified. Accordingly, Commerce preliminarily determines that use of facts available is warranted in determining the rate of the China-wide entity, pursuant to sections 776(a)(1) and (a)(2)(A)-(D) of the Act.¹⁰⁰

2. Application of Facts Available with an Adverse Inference

Section 776(b) of the Act provides that Commerce, in selecting from among the facts otherwise available, may use an inference that is adverse to the interests of a party if that party has failed to cooperate by not acting to the best of its ability to comply with a request for information. Commerce finds that the China-wide entity's failure to provide the requested information constitutes circumstances under which it is reasonable to conclude that the China-wide entity was not fully cooperative.¹⁰¹ The China-wide entity neither filed documents indicating that it was having difficulty providing the information, nor did it request to submit the information in an alternate form. Therefore, we preliminarily find that an adverse inference is warranted in selecting from the facts otherwise available with respect to the China-wide entity in accordance with section 776(b) of the Act and 19 CFR 351.308(a).¹⁰²

¹⁰⁰ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 4986, 4991 (January 31, 2003), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 37116 (June 23, 2003).

¹⁰¹ See *Nippon Steel Corporation v. United States*, 337 F.3d 1373, 1383 (Fed. Cir. 2003) (*Nippon Steel*) (noting that Commerce need not show intentional conduct existed on the part of the respondent, but merely that a "failure to cooperate to the best of a respondent's ability" existed (*i.e.*, information was not provided "under circumstances in which it is reasonable to conclude that less than full cooperation has been shown.")).

¹⁰² See *Nippon Steel*, 337 F.3d at 1382-83.

3. Selection and Corroboration of the AFA Rate

When using facts otherwise available, section 776(c) of the Act provides that, where Commerce relies on secondary information (such as the Petition) rather than information obtained in the course of an investigation, it must corroborate, to the extent practicable, information from independent sources that are reasonably at its disposal. Secondary information is defined as information derived from the Petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.¹⁰³ The SAA clarifies that “corroborate” means that Commerce will satisfy itself that the secondary information to be used has probative value,¹⁰⁴ although Commerce is not required to corroborate any dumping margin applied in a separate segment of the same proceeding.¹⁰⁵ To corroborate secondary information, Commerce will, to the extent practicable, examine the reliability and relevance of the information to be used, although Commerce is not required to estimate what the dumping margin would have been if the interested party failing to cooperate had cooperated or to demonstrate that the dumping margin reflects an “alleged commercial reality” of the interested party.¹⁰⁶ Finally, under section 776(d) of the Act, Commerce may use any dumping margin from any segment of a proceeding under an antidumping order when applying an adverse inference, including the highest of such margins.¹⁰⁷

To determine the appropriate rate for the China-wide entity based on AFA, Commerce first examined whether the highest Petition margin was less than or equal to the highest calculated margin. Because the highest Petition margin is 336.69 percent,¹⁰⁸ and the highest calculated margin is 341.29, we determined that the highest calculated margin of 341.29 percent is the higher of the two. It is unnecessary to corroborate this rate because it was calculated using data obtained in the course of this investigation and, therefore, is not secondary information, pursuant to section 776(c) of the Act.

Therefore, we have preliminarily determined that Yixin Stone’s *ad valorem* rate margin of 341.29 percent, based on data in the current investigation, is a reasonable AFA rate for the China-wide entity for this preliminary determination. The China-wide rate applies to all entries of subject merchandise except for entries from CQ International, Hercules Quartz, Yixin Stone, and the other producers/exporters receiving a separate rate, as stated above.

¹⁰³ See SAA, H.R. Doc. No. 316, Vol. I, 103d Cong., 2d Sess. (1994), at 870.

¹⁰⁴ *Id.*; see also 19 CFR 351.308(d).

¹⁰⁵ See section 776(c)(2) of the Act.

¹⁰⁶ See, e.g., *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, from Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews*, 61 FR 57391, 57392 (November 6, 1996), unchanged in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, from Japan; Final Results of Antidumping Duty Administrative Reviews and Termination in Part*, 62 FR 11825 (March 13, 1997).

¹⁰⁷ See section 776(d)(1)-(2) of the Act.

¹⁰⁸ See *Initiation Notice*, 83 FR at 22616.

J. Critical Circumstances

On October 9, 2018, the petitioner filed a timely allegation, pursuant to section 733(e)(1) of the Act and 19 CFR 351.206(c)(1), alleging that critical circumstances exist with respect to imports of QSP from China.¹⁰⁹ On October 10, 2018, Commerce requested shipment data from CQ International, Hercules Quartz, and Yixin Stone concerning the critical circumstances allegation. These companies responded to the Commerce's request for shipment data from October 17, 2018, through October 22, 2018.¹¹⁰

In accordance with 19 CFR 351.206(c)(2)(i), when a critical circumstances allegation is submitted more than 20 days before the scheduled date of the preliminary determination, Commerce must issue a preliminary finding of whether there is a reasonable basis to believe or suspect that critical circumstances exist no later than the date of the preliminary determination.

Legal Framework

Section 733(e)(1) of the Act provides that Commerce, upon receipt of a timely allegation of critical circumstances, will determine whether there is a reasonable basis to believe or suspect that: (A)(i) there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or (ii) the person by whom, or for whose account, the merchandise was imported knew or should know that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales; and (B) there were massive imports of the subject merchandise over a relatively short period.

Further, 19 CFR 351.206(h)(1) provides that, in determining whether imports of the subject merchandise have been "massive," Commerce normally will examine: (i) the volume and value of the imports; (ii) seasonal trends; and (iii) the share of domestic consumption accounted for by the imports. In addition, 19 CFR 351.206(h)(2) provides that, "in general, unless the imports during the 'relatively short period' . . . have increased by at least 15 percent over the imports during an immediately preceding period of comparable duration, the Secretary will not consider the imports massive." 19 CFR 351.206(i) defines "relatively short period" generally as the period starting on the date the proceeding begins (*i.e.*, the date the Petition is filed) and ending at least three months later. This section of the regulations further provides that, if Commerce "finds that importers, or exporters or producers, had reason to believe, at some time prior to the beginning of the proceeding, that a proceeding was likely," then Commerce may consider a period of not less than three months from that earlier time.

¹⁰⁹ See Critical Circumstances Allegation.

¹¹⁰ See CQ International's Letter, "Certain Quartz Surface Products from the People's Republic of China; ("Quartz Surface Products"); A-570-084; Response to Department's Q and V for Critical Circumstances Questionnaire," dated October 17, 2018; CQ International's Letter, "Certain Quartz Surface Products from the People's Republic of China; ("Quartz Surface Products"); A-570-084; Response to Department's Q and V for Critical Circumstances Questionnaire," dated October 22, 2018; Hercules Quartz's Letter, "Certain Quartz Surface Products from the People's Republic of China: Submission of Monthly Quantity and Value Data," dated October 17, 2018; and Yixin Stone's Letter, "Antidumping Duty Investigation of Certain Quartz Surface Products from the People's Republic of China; Submission of Monthly Shipment Data," dated October 22, 2018.

Critical Circumstances Allegation

In its allegation, the petitioner contends that, because Commerce has not yet made its preliminary determination in this investigation, Commerce may rely on the margins alleged in the Petition to decide whether importers knew, or should have known, that dumping was occurring.¹¹¹ The estimated dumping margins for QSP from China in the Petition range from 303.38 to 336.69 percent.¹¹² Therefore, the petitioner maintains that there is information on the record of this investigation to impute knowledge to importers that QSP from China was being sold in the United States at LTFV.¹¹³

The petitioner also contends that, based on the preliminary determination of injury by the ITC, there is a reasonable basis to impute importers' knowledge that material injury is likely by reason of such imports.¹¹⁴

Finally, as part of their allegation and pursuant to 19 CFR 351.206(h)(2), the petitioner submitted import statistics for the subject merchandise covered by the scope of this investigation for the period January 2018 through August 2018, as evidence of massive imports of QSP from China during a relatively short period.¹¹⁵

Analysis

Commerce's normal practice in determining whether critical circumstances exist pursuant to the statutory criteria has been to examine evidence available to Commerce, such as: (1) the evidence presented in the petitioner's critical circumstances allegation; (2) import statistics released by the ITC; and (3) shipment information submitted to Commerce by the respondents selected for individual examination.¹¹⁶ As further provided below, in determining whether the above statutory criteria have been satisfied in this case, we have examined: (1) the evidence presented in the petitioner's October 9, 2018, allegation; (2) information obtained since the initiation of this investigation; and (3) the ITC's preliminary injury determination.

We considered each of the statutory criteria for finding critical circumstances below.

Section 733(e)(1)(A)(i) of the Act: History of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise

In order to determine whether there is a history of dumping pursuant to section 733(e)(1)(A)(i) of the Act, Commerce generally considers current or previous AD duty orders on subject

¹¹¹ See Critical Circumstances Allegation.

¹¹² See *Initiation Notice*, 83 FR at 22616.

¹¹³ See Critical Circumstances Allegation at 3.

¹¹⁴ *Id.* at 4.

¹¹⁵ *Id.* at Exhibit 1.

¹¹⁶ See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances: Circular Welded Carbon Quality Steel Pipe from the People's Republic of China*, 73 FR 31970, 31972-73 (June 5, 2008); and *Final Determination of Sales at Less Than Fair Value and Affirmative Determination of Critical Circumstances: Small Diameter Graphite Electrodes from the People's Republic of China*, 74 FR 2049, 2052-53 (January 14, 2009).

merchandise from the country in question in the United States and current orders in any other country with regard to imports of subject merchandise.¹¹⁷ There have been no previous orders on QSP in the United States, and Commerce is not aware of the existence of any active AD orders on QSP from China in other countries. As a result, Commerce does not find that there is a history of injurious dumping of QSP from China pursuant to section 733(e)(1)(A)(i) of the Act.

Section 733(e)(1)(A)(ii) of the Act: Whether the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales

In determining whether an importer knew or should have known that the exporter was selling subject merchandise at LTFV and that there was likely to be material injury by reason of such sales, Commerce must rely on the facts before it at the time the determination is made. Commerce generally bases its decision with respect to knowledge on the margins calculated in the preliminary determination and the ITC's preliminary injury determination.

Commerce normally considers margins of 25 percent or more for EP sales and 15 percent or more for constructed export price (CEP) sales sufficient to impute importer knowledge of sales at LTFV.¹¹⁸ In this investigation Hercules Quartz and Yixin Stone reported only EP sales. CQ International reported both EP and CEP sales. CQ International's, Hercules Quartz's, and Yixin Stone's preliminary margins are 242.10 percent, 289.62 percent and 341.29 percent, respectively. Further, we are assigning a rate of 290.86 percent, the weighted average of the mandatory respondents,¹¹⁹ to the non-individually investigated companies qualifying for a separate rate and a rate of 341.29 percent for the China-wide entity. Because the preliminary dumping margins exceed the threshold sufficient to impute knowledge of dumping, we preliminarily find, with respect to CQ International, Hercules Quartz, Yixin Stone, the non-individually investigated companies qualifying for a separate rate, and the China-wide entity, that there is a reasonable basis to believe or suspect that importers knew, or should have known, that exporters were selling subject merchandise at LTFV.

In determining whether an importer knew or should have known that there was likely to be material injury caused by reason of such imports, Commerce normally will look to the

¹¹⁷ See, e.g., *Certain Oil Country Tubular Goods from the People's Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination*, 74 FR 59117, 59120 (November 17, 2009), unchanged in *Certain Oil Country Tubular Goods from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, Affirmative Final Determination of Critical Circumstances and Final Determination of Targeted Dumping*, 75 FR 20335 (April 19, 2010).

¹¹⁸ See, e.g., *Carbon and Alloy Steel Wire Rod from Germany, Mexico, Moldova, Trinidad and Tobago, and Ukraine: Preliminary Determination of Critical Circumstances*, 67 FR 6224, 6225 (February 11, 2002) (*Steel Wire Rod Prelim*), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Carbon and Certain Alloy Steel Wire Rod from Moldova*, 67 FR 55790 (August 30, 2002) (*Steel Wire Rod Final*); and *Affirmative Preliminary Determination of Critical Circumstances: Magnesium Metal from the People's Republic of China*, 69 FR 59187 (October 4, 2004) (*Magnesium Metal Prelim*), unchanged in *Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Magnesium Metal from the People's Republic of China*, 70 FR 9037 (February 24, 2005) (*Magnesium Metal Final*).

¹¹⁹ See Preliminary Separate Rates Memo.

preliminary injury determination of the ITC.¹²⁰ If the ITC finds a reasonable indication of present material injury to the relevant U.S. industry, Commerce will determine that a reasonable basis exists to impute importer knowledge that material injury is likely by reason of such imports.¹²¹ Therefore, because the ITC preliminarily found a reasonable indication that an industry in the United States is materially injured by imports of QSP from China,¹²² Commerce determines that importers knew or should have known that there was likely to be material injury by reason of sales of QSP at LTFV by CQ International, Hercules Quartz, Yixin Stone, the non-individually investigated companies qualifying for a separate rate, and the China-wide entity.

Section 733(e)(1)(B) of the Act: Whether There Have Been Massive Imports Over a Relatively Short Period

As detailed in the Legal Framework section above, Commerce considers an increase of at least 15 percent during the ‘relatively short period’ over the imports during an immediately preceding period of comparable duration to be evidence of a ‘massive’ increase. In determining whether a massive increase has occurred, the comparison period is normally compared to a corresponding period prior to the filing of the Petition (*i.e.*, the base period).

The petitioner included in its submission U.S. import data compiled from tariff and trade data from Commerce and the ITC for the period January 2018 through August 2018.¹²³ Based on these data, the petitioner calculated the monthly average imports for the base period (*i.e.*, imports for February 2018 through April 2018) and for the comparison period (*i.e.*, imports for May 2018 to July 2018) and claimed that imports of QSP from China increased by 81 percent by volume during the three-month comparison period over the three month base period. Thus, the petitioner concluded that there were massive imports during a relatively short period.¹²⁴

It is Commerce’s practice to base the critical circumstances analysis on all available data, using base and comparison periods of no less than three months.¹²⁵ Based on these practices, we chose to examine the base period December 2017 through April 2018, and the corresponding comparison period May 2018 through September 2018, in order to determine whether imports of subject merchandise were massive during a relatively short period. The base and comparison

¹²⁰ See, e.g., *Certain Potassium Phosphate Salts from the People’s Republic of China: Preliminary Affirmative Determination of Critical Circumstances in the Antidumping Duty Investigation*, 75 FR 24572, 24573 (May 5, 2010).

¹²¹ See, e.g., *Steel Wire Rod Prelim*, 67 FR at 6225, unchanged in *Steel Wire Rod Final*; and *Magnesium Metal Prelim*, 70 FR at 5607, unchanged in *Magnesium Metal Final*.

¹²² See *Quartz Surface Products from China*, 83 FR at 26307.

¹²³ See Critical Circumstances Allegation at Exhibit 1.

¹²⁴ *Id.* at 2.

¹²⁵ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Affirmative Preliminary Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from India*, 69 FR 47111, 47118-47119 (August 4, 2004), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value and Negative Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from India*, 69 FR 76916 (December 23, 2004); and *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers from the People’s Republic of China*, 69 FR 20594 (April 16, 2004), and accompanying IDM at Comment 3.

periods satisfy Commerce's practice and the requirement of 19 CFR 351.206(i) that the comparison period is at least three months.

For the individually-investigated companies preliminarily determined not to be part of the China-wide entity, we found that imports based on CQ International's, Hercules Quartz's, and Yixin Stone's reported shipments of subject merchandise during the comparison periods increased by more than 15 percent over their respective imports in the base periods.¹²⁶ For the non-individually investigated companies, we relied upon Global Trade Atlas import statistics specific to QSP,¹²⁷ less the reported shipment data for the mandatory respondents preliminarily determined not to be part of the China-wide entity, to determine if imports in the post-Petition period for the subject merchandise were massive.¹²⁸ These data demonstrate that imports for the non-individually investigated companies increased by more than 15 percent over their respective imports in the base period. Therefore, we preliminarily find there to be massive imports for CQ International, Hercules Quartz, Yixin Stone, and the non-individually investigated separate rate entities, pursuant to section 733(e)(1)(B) of the Act and 19 CFR 351.206(c)(2)(i).

Because, as explained below, the China-wide entity has been unresponsive, as AFA, we preliminarily find there to be massive imports for the China-wide entity, pursuant to section 733(e)(1)(B) of the Act and 19 CFR 351.206(c)(2)(i).

Further, although certain importers have argued that the massive increase in imports of QSP from China is due to seasonal trends,¹²⁹ we currently have insufficient information on the record to perform a seasonality analysis. We have requested additional shipment data from CQ International, Hercules Quartz, and Yixin Stone; we intend to verify this information and consider it in our critical circumstances analysis for the final determination, in accordance with 19 CFR 351.206(h)(1)(ii).

Therefore, based on the above analysis, we preliminarily find that critical circumstances exist for all mandatory respondents, companies receiving separate rates in this investigation, and the China-wide entity.

K. Date of Sale

Section 351.401(i) of Commerce's regulations states that, in identifying the date of sale of the subject merchandise, Commerce normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business. Additionally, Commerce may use a date other than the date of invoice if it is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.¹³⁰ Finally, Commerce has a long-standing practice of finding that, where the shipment date precedes the

¹²⁶ See Memorandum, "Less-Than-Fair-Value Investigation of Certain Quartz Surface Products from the People's Republic of China: Critical Circumstances Analysis," dated concurrently with this memorandum (Prelim Critical Circumstances Memo).

¹²⁷ See HTSUS subheading 6810.99.0010, agglomerated quartz slabs of the type used for countertops.

¹²⁸ See Prelim Critical Circumstances Memo at Attachment 1 for our analysis of these data.

¹²⁹ See Certain Importers' Critical Circumstances Letter.

¹³⁰ See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)).

invoice date, the shipment date better reflects the date on which the material terms of sale are established.¹³¹

Consistent with Commerce’s long-standing practice, CQ International and Hercules Quartz reported the earlier of invoice date or the shipment date as their dates of sale.¹³² Therefore, we preliminarily accepted their dates of sale as reported.

Yixin Stone, reported date of sale based on its shipment dates from its factory.¹³³ Yixin Stone argued that shipment date is the most appropriate the date of sale in this case because its invoice dates contained inaccuracies “which arise from simply ‘copy-and-paste’ from the proforma invoices or previous commercial invoices templates without changing the date.”¹³⁴ In light of Yixin Stone’s statements regarding the unreliability of its invoice dates, we have preliminarily accepted Yixin Stone’s date of sale methodology and relied on the shipment dates reported; however, we will examine this issue further and may reconsider it for purposes of the final determination.

L. Fair Value Comparisons

In accordance with section 777A(d)(1)(A) of the Act, Commerce compared the weighted-average price of the U.S. sales of subject merchandise to the weighted-average NV to determine whether the mandatory respondents sold subject merchandise to the United States at LTFV during the POI.¹³⁵ For the remainder of CQ International’s U.S. sales which were made by CQ International’s U.S. affiliates, we used CEP to determine the price for these U.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 was not otherwise warranted as the basis for U.S. price.

M. Export Price and Constructed Export Price

In accordance with section 772(a) of the Act, Commerce defined the U.S. price of subject merchandise based on the EP for some of the sales reported by CQ International and all of the sales reported by Hercules Quartz and Yixin Stone. Commerce calculated the EP based on the prices at which subject merchandise was sold to unaffiliated purchasers in the United States.

¹³¹ See, e.g., *Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 72 FR 52065 (September 12, 2007) (*Shrimp from Thailand*), and accompanying IDM at Comment 11; *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany*, 67 FR 35497 (May 20, 2002) (*Steel Beams from Germany*), and accompanying IDM at Comment 2.

¹³² See CQ International July 20, 2018 CDQR at 11. See also Hercules Quartz July 20, 2018 AQR at A-24; and Hercules Quartz October 2, 2018 SACQR at 12.

¹³³ See Yixin Stone October 5, 2018 SQCDQR at Exhibit SACD-15.

¹³⁴ *Id.*

¹³⁵ See “Export Price” and “Normal Value,” below.

1. Export Price

We calculated EP based on packed prices to unaffiliated customers in the United States. We deducted discounts, where appropriate, and rebates, as appropriate, from the starting price for CQ International and Yixin Stone. We also made deductions, as appropriate, from the starting price for movement expenses (*i.e.*, foreign inland freight and foreign brokerage and handling) for CQ International, Hercules Quartz, and Yixin Stone, in accordance with section 772(c)(2)(A) of the Act. We based movement expenses on surrogate values where the service was purchased from a Chinese company.¹³⁶

2. Constructed Export Price

We calculated CEP for CQ International's sales, where warranted, based on packed prices to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for discounts and rebates. We also made deductions from the starting price for movement expenses, in accordance with section 772(c)(2)(A) of the Act. These included foreign inland freight, foreign brokerage and handling, international freight, U.S. brokerage and handling, U.S. customs duties, and U.S. inland freight from the warehouse to the unaffiliated customer, where applicable. We based movement expenses on surrogate values where the service was purchased from a Chinese company.

In accordance with section 772(d)(1) of the Act, we calculated CQ International's CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit, repacking expenses, warranty expenses, advertising expenses, and commissions) and indirect selling expenses (inventory carrying costs and other indirect selling expenses). Finally, we deducted CEP profit, in accordance with sections 772(d)(3) and 772(f) of the Act.

3. Value Added Tax (VAT)

In 2012, Commerce announced a change of methodology with respect to the calculation of EP and CEP to include an adjustment of any irrecoverable VAT in certain NME countries in accordance with section 772(c)(2)(B) of the Act.¹³⁷ Commerce 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, Commerce will reduce the respondent's EP and CEP prices accordingly, by the amount of the tax, duty or charge paid, but not rebated, where the EP and CEP prices include such amount.¹³⁸ The amount of irrecoverable VAT is a liability calculated based on the standard VAT rate and the refund rate specific to the exported good. Where the irrecoverable VAT is a fixed percentage of EP or CEP,

¹³⁶ See "Factor Valuation Methodology," below.

¹³⁷ 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).

¹³⁸ *Id.*; see also *Chlorinated Isocyanurates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 4875 (January 30, 2014), and accompanying IDM at Comment 5.A.

Commerce explained that the final step in arriving at a tax neutral dumping comparison is to reduce the EP or CEP downward by this same percentage.¹³⁹

Commerce's methodology, as explained above and applied in this investigation, incorporates two basic steps: (1) determine the amount of irrecoverable VAT on subject merchandise, and (2) reduce EP or CEP price by the amount determined in step one. Information placed on the record of this investigation by CQ International, Hercules Quartz, and Yixin Stone indicates that, according to the Chinese VAT schedule, the standard VAT rate is 17 percent and the refund rate for QSP is five percent, and that the EP or CEP prices include irrecoverable VAT.¹⁴⁰ Consistent with Commerce's standard methodology, for purposes of this preliminary determination, in our calculations for CQ International, Hercules Quartz, and Yixin Stone we reduced EP or CEP by the amount of irrecoverable VAT included in the EP or CEP price, calculated as the difference between those rates (*i.e.*, 12 percent) and applied to the export sales value, consistent with the definition of irrecoverable VAT under Chinese tax law and regulation.

N. Normal Value

Section 773(c)(1) of the Act provides that Commerce shall determine NV using the 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. Commerce bases NV on FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under Commerce's normal methodologies.¹⁴¹ Therefore, in accordance with sections 773(c)(3) and (4) of the Act and 19 CFR 351.408(c), Commerce calculated NV based on FOPs. 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.¹⁴²

Factor Valuation Methodology

In accordance with section 773(c) of the Act, Commerce calculated NV based on FOP data reported by CQ International, Hercules Quartz, and Yixin Stone. To calculate NV, Commerce multiplied the reported per-unit factor-consumption rates by publicly available SVs.¹⁴³

¹³⁹ *Id.*

¹⁴⁰ See CQ International August 10, 2018 CDQR at 37-38 and Exhibit C-13; Hercules Quartz August 13, 2018 CQR at 28-29; Hercules Quartz SACQR at 14 and Exhibit S-11; and Yixin Stone August 23, 2018 CDQR at 34.

¹⁴¹ See, *e.g.*, *Preliminary Determination of Sales at Less Than Fair Value, Affirmative Critical Circumstances, In Part, and Postponement of Final Determination: Certain Lined Paper Products from the People's Republic of China*, 71 FR 19695, 19703 (April 17, 2006), unchanged in *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 (September 8, 2006).

¹⁴² See section 773(c)(3)(A)-(D) of the Act.

¹⁴³ We note that the petitioner argued that, because Hercules Quartz used a general yield loss rate when reporting its FOP consumption rates for its cut-to-size products, Commerce should adjust these FOP consumption rates. See Petitioner's Letter, "Certain Quartz Surface Products from the People's Republic of China: Comments on Hercules' Second and Third Supplemental D Responses," dated November 6, 2018 at 4-5. We are still evaluating Hercules Quartz's yield loss reporting methodology but have provisionally used the reported consumption rates for this preliminary determination. We intend to further examine this topic at verification and will consider adjustments to

Commerce'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 POI, and exclusive of taxes and duties.¹⁴⁴

For products produced by CQ International's toller, Vemy, for which we could not obtain an FOP reconciliation, as facts available, in accordance with section 776(a) of the Act, we used CQ International's reported FOP consumption for the inputs supplied by Vemy (where available), and for the remaining tolled products, where Vemy was the only producer during the POI, we matched products to the next closest control number, based upon the product characteristics.¹⁴⁵ Additionally, for both CQ International and Yixin Stone, where they self-reported surrogate FOPs for merchandise sold but not produced during the POI, we have preliminarily accepted their reporting. Similarly, for merchandise sold but not produced by Hercules Quartz, we have used the FOPs for the most similar product produced during the POI.¹⁴⁶

When selecting the SVs, Commerce considered, among other factors, the quality, specificity, and contemporaneity of the data.¹⁴⁷ As appropriate, Commerce adjusted input prices by including freight costs to make them delivered prices. Specifically, Commerce added a surrogate freight cost, where appropriate, to surrogate input values using the shorter of the reported distance from the domestic supplier to the respondent's factory or the distance from the nearest seaport to the respondent's factory.¹⁴⁸ A detailed description of all SVs used for CQ International, Hercules Quartz, and Yixin Stone can be found in the Preliminary SV Memo.¹⁴⁹

For this preliminary determination, Commerce used Mexican import data, as published by GTA, and data from other publicly available sources from Mexico, to calculate SVs for respondents' FOPs. In accordance with section 773(c)(1) of the Act, Commerce applied the best available information for valuing FOPs by selecting, to the extent practicable, SVs which are (1) non-export average values, (2) contemporaneous with, or closest in time to, the POI, (3) product-specific, and (4) tax-exclusive.¹⁵⁰ The record shows that Mexican import data obtained through GTA, as well as data from other Mexican sources, are broad market averages, product-specific, tax-exclusive, and generally contemporaneous with the POI.¹⁵¹ In those instances where

Hercules Quartz's FOP consumption rates for its cut-to-size products for the final determination, if warranted.

¹⁴⁴ See, e.g., *Electrolytic Manganese Dioxide from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 48195 (August 18, 2008), and accompanying IDM at Comment 2.

¹⁴⁵ See CQ International Preliminary Analysis Memorandum.

¹⁴⁶ See Hercules Quartz Preliminary Analysis Memorandum.

¹⁴⁷ See, e.g., *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 40485 (July 15, 2008), and accompanying IDM at Comment 9.

¹⁴⁸ See *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997).

¹⁴⁹ Hercules Quartz reported the distance from a river port to its factory. Therefore, we revised this distance to reflect the distance from the nearest seaport to Hercules Quartz's factory. See Hercules Quartz Preliminary Analysis Memorandum.

¹⁵⁰ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004).

¹⁵¹ See Preliminary SV Memo.

Commerce could not obtain information contemporaneous with the POI with which to value FOPs, Commerce adjusted the SVs using, where appropriate, Mexico's consumer price index (CPI) or producer price (PPI) index as published in the International Monetary Fund's International Financial Statistics.

Commerce continues to apply its long-standing practice of disregarding SVs if it has a reason to believe or suspect the source data may be dumped or subsidized.¹⁵² In this regard, Commerce has previously found that it is appropriate to disregard such prices from India, Indonesia, South Korea and Thailand because we have determined that these countries maintain broadly available, non-industry specific export subsidies.¹⁵³ 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 POI, Commerce finds that it is reasonable to infer that all exporters from India, Indonesia, South Korea and Thailand may have benefitted from these subsidies. Therefore, Commerce has not used prices from these countries in calculating Mexican import-based SVs.

Additionally, Commerce disregarded data from NME countries when calculating Mexican import-based per-unit SVs.¹⁵⁴ Commerce also excluded imports labeled as originating from an "unidentified" country from the calculation of Mexican import-based per-unit SVs because Commerce could not be certain that these imports were not from either an NME country or a country with generally available export subsidies.¹⁵⁵

Pursuant to 19 CFR 351.408(c)(1), where a factor is produced in one or more ME countries, purchased from one or more ME suppliers and paid for in an ME currency, Commerce normally will use the prices paid to the ME suppliers if substantially all (*i.e.*, 85 percent or more) of the total volume of the factor is purchased from the ME suppliers. In those instances where less than substantially all of the total volume of the factor is produced in one or more ME countries and purchased from one or more ME suppliers, Commerce will weight-average the actual prices paid for the ME portion and the SV for the NME portion by their respective quantities. However, neither CQ International, Hercules Quartz, nor Yixin Stone purchased material inputs that were produced in ME countries, from ME suppliers and paid for in an ME currency during the POI.¹⁵⁶

¹⁵² See TPEA (amending Section 773(c)(5) of the Act to permit Department to disregard price or cost values without further investigation if it has determined that certain subsidies existed with respect to those values); see also *TPEA Application Dates*, 80 FR at 46795.

¹⁵³ See, e.g., *Certain Frozen Warmwater Shrimp from India: Final Results of Antidumping Duty Administrative Review and Final No Shipment Determination; 2011-2012*, 78 FR 42492 (July 16, 2013), and accompanying IDM at 7-19; *Certain Lined Paper Products from Indonesia: Final Results of the Expedited Sunset Review of the Countervailing Duty Order*, 76 FR 73592 (November 29, 2011), and accompanying IDM at 1; *Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 46770 (August 11, 2014), and accompanying IDM at 4; and *Certain Frozen Warmwater Shrimp from Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013), and accompanying IDM at IV.

¹⁵⁴ 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, 75301 (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).

¹⁵⁵ *Id.*

¹⁵⁶ See CQ International August 10, 2018 CDQR at D-9; Hercules Quartz August 13, 2018 DQR at 6; and Yixin Stone August 23, 2018 CDQR at 8.

Therefore, Commerce did not value any material inputs using ME prices in the preliminary determination.

Commerce used Mexican import statistics from GTA to value raw materials, by-products, packing materials, and certain energy inputs, except as listed below.

In NME AD proceedings, Commerce prefers to value labor solely based on data from the primary surrogate country.¹⁵⁷ In *Labor Methodologies*, Commerce determined that the best methodology to value the labor input is to use industry-specific labor rates from the primary surrogate country. Additionally, Commerce determined that the best data source for industry-specific labor rates is Chapter 6A: Labor Cost in Manufacturing from the International Labor Organization (ILO) Yearbook of Labor Statistics (Yearbook). We used this source in this investigation.¹⁵⁸ Because these labor rates were based on 2008 data, we inflated them using the Mexican CPI to be contemporaneous with the POI.

We valued electricity using data from the website of the International Energy Agency, which contains pricing data contemporaneous with the POI for electricity rates in Mexico. These electricity rates represent publicly available, broad-market averages.¹⁵⁹

We valued water using data from Mexico's National Commission for Water published in *Water Statistics in Mexico 2014*. The rates are for water for industrial users in select cities in Mexico. Because these rates were based on 2013 data, we inflated them using the Mexican PPI to be contemporaneous with the POI.¹⁶⁰

We valued truck freight expenses using data from the World Bank's *Doing Business 2018: Mexico* publication. We also valued brokerage and handling expenses using this data source, which provided a price list of export procedures necessary to export a standardized cargo of goods in Mexico. Because these data pre-date the POI, we inflated these prices using the Mexican PPI to be contemporaneous with the POI.¹⁶¹

The record contains two financial statements for companies with production of comparable products in Mexico: 1) Grupo Lamosa S.A.B. de C.V. (Grupo Lamosa); and 2) Unigel Participacoes S.A.(Unigel). Both Grupo Lamosa and Unigel produce comparable merchandise in Mexico; however, for the three years covered by its financial statements, Unigel operated at a loss before taxes.¹⁶² Therefore, we did not rely on Unigel's financial statements for purposes of calculating the surrogate financial ratios. Instead, for this preliminary determination, we calculated the surrogate financial ratios using data from the financial statements of Grupo Lamosa.¹⁶³

¹⁵⁷ See *Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) (*Labor Methodologies*).

¹⁵⁸ See Preliminary SV Memo.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² See Petitioner Second SV Comments at page 3 and Exhibit 10.

¹⁶³ *Id.* at Exhibit 2. See also Petitioner First SV Comments at Exhibit 9-B.

CQ International provided information regarding its reported by-product of defective quartz slabs which indicates that it is inappropriate to treat these as a by-product. As an initial matter, CQ International explained that the scrap slabs it sells are actually whole slabs which have some defects, but that the slabs are still subject merchandise and, because they are not as good a quality as expected by U.S. customers, they are not sold in the United States, but are sold locally for business or home use.¹⁶⁴ In addition, CQ International stated that it does not keep production records for its scrap slabs, only sales records;¹⁶⁵ in other instances where companies have been unable to provide POI production records to support their claims, we have not granted a scrap or by-product offset.¹⁶⁶ Therefore, we have preliminarily denied CQ International's by-product claim, consistent with our practice.

Similarly, the information provided by Hercules Quartz regarding the production of its reported by-products of used kraft paper and quartz mud is insufficient to grant it by-product offsets. Specifically, Hercules Quartz did not maintain records demonstrating the production quantity of either by-product during the POI; rather, it provided an allocation calculation to support its claimed production of used kraft paper and photographs to support its claimed production of quartz mud.¹⁶⁷ As noted above, it has been Commerce's practice to deny claims for by-product offsets where companies have not provided by-product production data during the POI.¹⁶⁸ Because Hercules Quartz did not provide records to support its claimed production of these by-products, we are, consistent with our practice, preliminarily not granting a by-product offset for Hercules Quartz's reported quantities of used kraft paper and quartz mud.

O. Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether CQ International's, Hercules Quartz's, and Yixin Stone's sales of the subject merchandise to the United States were made at less than NV, Commerce compared the EPs and CEPs, where appropriate, to the NVs, as described in the "Export Price and Constructed Export Price" and "Normal Value" sections of this memorandum.

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) or CEPs, *i.e.*, the average-to-average method, unless the Secretary determines that another method is appropriate in a particular situation. In LTFV investigations, Commerce examines whether to compare weighted-average NVs with the EPs (or CEPs) of individual sales, *i.e.*, the average-to-transaction

¹⁶⁴ See CQ International October 16, 2018 SDQR at 4-5.

¹⁶⁵ *Id.* at 5.

¹⁶⁶ See, e.g., *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 2012-13*), and accompanying IDM at Comment 3, where we denied claims for a by-product offset where the companies did not provide data of their, or their subcontractors,' by-product production during the period of review.

¹⁶⁷ See Hercules Quartz August 13, 2018 DQR; and Hercules Quartz's November 5, 2018 Second Supplemental Section D Response at 2-3 and Exhibits S2-2 and S2-5.

¹⁶⁸ See, e.g., *TRBs 2012-13*, and accompanying IDM at Comment 3.

method, as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In numerous investigations, Commerce has applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.¹⁶⁹ Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce’s additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent’s weighted-average dumping margin.

The differential pricing analysis used in this preliminary determination examines whether there exists a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. 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 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 code, *i.e.*, state, 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 POI based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region, and time period, that Commerce 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* coefficient is a generally recognized statistical measure of the extent of the difference between the mean, *i.e.*, weighted-average price, of a test group and the mean, *i.e.*, weighted-average price, of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region, or time period 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 prices to the particular purchaser, region, or time period differ significantly from the 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 (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there

¹⁶⁹ See, e.g., *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen's *d* test, 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 prices 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 prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison 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, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison 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 margins 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 margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in this preliminary determination, including arguments for modifying the group definitions used in this proceeding.¹⁷⁰

¹⁷⁰ The Court of Appeals for the Federal Circuit (CAFC) has affirmed much of Commerce's differential pricing methodology. *See, e.g., Apex Frozen Foods v. United States*, 862 F.3d 1322 (Fed. Cir. 2017). We ask that interested parties present only arguments on issues which have not already been decided by the CAFC.

Results of the Differential Pricing Analysis

CQ International

For CQ International, based on the results of the differential pricing analysis, Commerce preliminarily finds that 22.8 percent of the value of U.S. sales pass the Cohen's *d* test,¹⁷¹ and does not confirm the existence of a pattern of prices that differ significantly among purchasers, regions or time periods. Thus, the results of the Cohen's *d* and ratio tests do not support consideration of an alternative to the average-to-average method. Accordingly, Commerce preliminarily determines to apply the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for CQ International.

Hercules Quartz

For Hercules Quartz, based on the results of the differential pricing analysis, Commerce preliminarily finds that 62.90 percent of the value of U.S. sales pass the Cohen's *d* test,¹⁷² and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. However, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test. Thus, for this preliminary determination, Commerce is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Hercules Quartz.

Yixin Stone

For Yixin Stone, based on the results of the differential pricing analysis, Commerce preliminarily finds that 63.90 percent of the value of U.S. sales pass the Cohen's *d* test,¹⁷³ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. However, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test. Thus, for this preliminary determination, Commerce is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Yixin Stone.

¹⁷¹ See Memorandum, "Preliminary Analysis Memorandum for CQ International Limited," dated November 13, 2018 (CQ International Preliminary Analysis Memorandum).

¹⁷² See Memorandum, "Preliminary Analysis Memorandum for Guangzhou Hercules Quartz Stone Products Co., Ltd.," dated November 13, 2018 (Hercules Quartz Preliminary Analysis Memorandum).

¹⁷³ See Memorandum, "Preliminary Analysis Memorandum for Foshan Yixin Stone Co., Ltd.," dated November 13, 2018.

VII. 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 Reserve Bank.

VIII. ADJUSTMENT UNDER SECTION 777A(f) OF THE ACT

In applying section 777A(f) of the Act, Commerce examines: (1) whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class or kind of merchandise; (2) whether such countervailable subsidy has been demonstrated to have reduced the average price of imports of the class or kind of merchandise during the relevant period; and (3) whether Commerce can reasonably estimate the extent to which that countervailable subsidy, in combination with the use of NV determined pursuant to section 773(c) of the Act, has increased the weighted-average dumping margin for the class or kind of merchandise.¹⁷⁴ For a subsidy meeting these criteria, the statute requires Commerce to reduce the dumping margin by the estimated amount of the increase in the weighted-average dumping margin due to a countervailable subsidy, subject to a specified cap.¹⁷⁵ In conducting this analysis, Commerce has not concluded that concurrent application of NME dumping duties and countervailing duties necessarily and automatically results in overlapping remedies. Rather, a finding that there is an overlap in remedies, and any resulting adjustment, is based on a case-by-case analysis of the totality of facts on the administrative record for that segment of the proceeding as required by the statute.¹⁷⁶

For purposes of our analysis under sections 777A(f)(1)(A) and (f)(1)(C) of the Act, Commerce requested firm-specific information from the mandatory respondents as part of the initial antidumping questionnaire.¹⁷⁷ The information sought included information regarding whether countervailable subsidies were received during the relevant period, information on costs, and information regarding the respondents' pricing policies and practices. Additionally, the respondents were required to provide documentary support for the information provided. Hercules Quartz, Hero Stone, and Yixin Stone, submitted responses to Commerce's firm-specific double remedies questionnaire,¹⁷⁸ while CQ International did not. Further, as noted above, we have determined that Hero Stone is part of the China-wide entity for purposes of this investigation, and that the China-wide entity has not acted to the best of its ability in providing Commerce with the necessary information. In light of that preliminary determination, we have not considered the information Hero Stone submitted in its response to the double remedies questionnaire. The responses received from Hercules Quartz and Yixin Stone included

¹⁷⁴ See section 777A(f)(1)(A)-(C) of the Act.

¹⁷⁵ See section 777A(f)(1)-(2) of the Act.

¹⁷⁶ See, e.g., *Certain Hardwood Plywood Products from the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Preliminary Affirmative Determination of Critical Circumstances, in Part*, 82 FR 28629 (June 23, 2017), and accompanying PDM at 43.

¹⁷⁷ See Commerce's June 18, 2018, Initial Antidumping Duty Questionnaire issued to the four mandatory respondents, at page 2 of the cover letter, and Appendix XI, "Double Remedies Questionnaire."

¹⁷⁸ See Hercules Quartz Double Remedies Response; Hero Stone Double Remedies Response; and Yixin Stone August 23, 2018 CDQR at Appendix XI.

information concerning countervailable subsidies received during the relevant period, as well as information regarding their costs and pricing policies and practices.

Yixin Stone is a mandatory respondent in the companion CVD investigation and reported receiving countervailable subsidies for the provision of electricity, quartz, and polyester resin.¹⁷⁹ Further, even though Hercules Quartz is not a mandatory respondent in the companion CVD investigation, it also reported receiving countervailable subsidies for the provision of electricity, quartz, and polyester resin.¹⁸⁰ Hercules Quartz and Yixin Stone also provided monthly POI costs for their purchases of electricity, quartz, and polyester resin.¹⁸¹

In accordance with section 777A(f)(1)(A) of the Act, Commerce examined whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class or kind of merchandise. Because Commerce found the provision of electricity, quartz, and polyester resin for less than adequate remuneration (LTAR) to be countervailable with respect to the class or kind of merchandise under consideration in the companion CVD investigation,¹⁸² Commerce preliminarily finds that the requirement of section 777A(f)(1)(A) of the Act has been met.

Additionally, in accordance with section 777A(f)(1)(C) of the Act, Commerce examined whether Hercules Quartz and Yixin Stone demonstrated: (1) a subsidies-to-cost link, *i.e.*, a subsidy effect on the cost of manufacturing (COM) of the merchandise under consideration; and (2) a cost-to-price link, *i.e.*, respondent's prices were dependent on changes in the COM. With respect to the subsidies-to-cost link, in their double remedies questionnaire responses, Hercules Quartz and Yixin Stone reported that they consumed electricity, quartz, and polyester resin in the production of subject merchandise.¹⁸³

Hercules Quartz and Yixin Stone provided information indicating that the subsidy programs affected their COM. Specifically, Hercules Quartz and Yixin Stone state that they identify and monitor the cost fluctuations of these raw materials.¹⁸⁴ Thus, Commerce preliminarily concludes that Hercules Quartz and Yixin Stone established a subsidies-to-cost link because subsidies for the provision of electricity, quartz, and polyester resin for LTAR impact their costs for producing subject merchandise.

For the cost-to-price link, Commerce examined whether Hercules Quartz and Yixin Stone demonstrated that changes in costs affected prices or are taken into consideration when setting

¹⁷⁹ See Yixin Stone August 23, 2018 CDQR at Appendix XI.

¹⁸⁰ See Hercules Quartz Double Remedies Response.

¹⁸¹ See Hercules Quartz Double Remedies Response and Yixin Stone August 23, 2018 CDQR at Exhibits DR-3 and DR-4.

¹⁸² See *Certain Quartz Surface Products from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination with Final Antidumping Duty Determination*, 83 FR 47881 (September 21, 2018) (*CVD Quartz Preliminary Determination*) and accompanying PDM.

¹⁸³ See Hercules Quartz Double Remedies Response and Yixin Stone August 23, 2018 CDQR at Appendix XI pages 1-5.

¹⁸⁴ See Hercules Quartz Double Remedies Response; Hero Stone Double Remedies Response; and Yixin Stone August 23, 2018 CDQR at Appendix XI page 2.

prices. Hercules Quartz and Yixin Stone stated that they adjust the sales price of the subject QSP when the raw material costs change substantially.¹⁸⁵ In addition, Hercules Quartz and Yixin Stone report that their accounting departments report significant cost changes to management and that management, in turn, considers the price changes and then instructs the sales department to conduct market research and price negotiations with the U.S. customers.¹⁸⁶

Based on the above, we find that Hercules Quartz and Yixin Stone provided adequate information to establish a link between subsidies (*i.e.*, the provision of electricity, quartz, and polyester resin for LTAR), costs, and prices. Because Hercules Quartz's and Yixin Stone's double remedy responses indicate that factors other than the cost of the inputs for LTAR impact prices to customers (*e.g.*, prevailing market price for the merchandise and expected profit), we have preliminarily applied a documented ratio of cost-price changes for the relevant manufacturing sector as a whole, which is based on data provided by Bloomberg, as the estimate of the extent of subsidy pass-through.¹⁸⁷ Therefore, we are adjusting Hercules Quartz's and Yixin Stone's U.S. price for a pass-through adjustment for domestic subsidies in the calculation of the cash deposit rates for Hercules Quartz and Yixin Stone. Because Yixin Stone is a mandatory respondent in the companion CVD investigation, we have used its own calculated subsidy rates for electricity, quartz, and polyester resin for LTAR, multiplied by the pass-through rate obtained from Bloomberg, in order to obtain the amount of subsidy passed through and deducted from the calculated AD margin. For Hercules Quartz, we used the subsidy rates applied to the all-other companies in the companion CVD investigation (*i.e.*, Yixin Stone's subsidy rates), multiplied by the pass-through rate obtained from Bloomberg, in order to obtain the amount of subsidy passed through and deducted from the calculated AD margin. Additionally, because Hercules Quartz and Yixin Stone are eligible for a domestic pass-through adjustment, we made a domestic pass-through adjustment for the non-selected separate rate respondents using the same domestic pass-through adjustment rates applied to Hercules Quartz and Yixin Stone, which is consistent with section 777A(f)(2) of the Act.¹⁸⁸

For the China-wide entity, we would normally use the lowest domestic pass-through adjustment rate determined for any party in this investigation as the adjustment to the AD cash deposit rate.¹⁸⁹ However, because the China-wide entity has received Yixin Stone's individually

¹⁸⁵ See Hercules Quartz Double Remedies Response; Hero Stone Double Remedies Response; and Yixin Stone August 23, 2018 CDQR at Appendix XI page 2.

¹⁸⁶ See Hercules Quartz Double Remedies Response; Hero Stone Double Remedies Response; and Yixin Stone August 23, 2018 CDQR at Appendix XI pages 2-3.

¹⁸⁷ See Memorandum, "Certain Quartz Surface Products from the People's Republic of China: Double Remedies Calculation," dated concurrently with this memorandum (Double Remedies Calculation).

¹⁸⁸ See *Aluminum Extrusions from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2013-2014*, 80 FR 32347 (June 8, 2015), and accompanying PDM at 34, unchanged in *Aluminum Extrusions from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2013-2014*, 80 FR 75060, 75063 (December 1, 2015).

¹⁸⁹ See *Certain Corrosion-Resistant Steel Products from the People's Republic of China: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 75 (January 4, 2016), and accompanying PDM at 25-26, unchanged in *Certain Corrosion-Resistant Steel Products from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, and Final Affirmative Critical Circumstances Determination, in Part*, 81 FR 35316, 35318 (June 2, 2016).

calculated rate as an AFA rate (as discussed above), we have also used the pass-through amount applicable to Yixin Stone to adjust the China-wide entity's AD cash deposit rate.¹⁹⁰

IX. ADJUSTMENTS TO CASH DEPOSIT RATES FOR EXPORT SUBSIDIES

Pursuant to section 772(c)(1)(C) of the Act, Commerce normally makes adjustments for countervailable export subsidies. In the concurrent CVD investigation, there were no export subsidies for the only mandatory respondent (*i.e.*, Yixin Stone) for which we calculated a subsidy rate.¹⁹¹ In the concurrent CVD investigation, the calculated subsidy rate for Yixin Stone (with no export subsidies) was also applied to the other two mandatory respondents who received the non-selected rate (*i.e.*, CQ International and Hercules Quartz).¹⁹² Further, since we have applied the calculated rate for Yixin Stone to the China-wide entity as AFA (*see* discussion above), we have not made any adjustment for export subsidies to the China-wide entity, since we determined in the concurrent CVD investigation that Yixin Stone did not have any export subsidies.

X. VERIFICATION

As provided in section 782(i)(1) of the Act, we intend to verify the information from CQ International, Hercules Quartz, and Yixin Stone upon which we will rely in making our final determination.

XI. CONCLUSION

We recommend applying the above methodology for this preliminary determination.

Agree

Disagree

11/13/2018

X



Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

¹⁹⁰ *See* Double Remedies Calculation.

¹⁹¹ *See* CVD Quartz Preliminary Determination and accompanying PDM.

¹⁹² *Id.*

Appendix I

List of Wholly Foreign-Owned Companies Receiving Separate Rates

Exporters Receiving a Separate Rate (Foreign-Owned)
Aurea Stone Solutions Inc
Best Bath & Kitchen Co., Limited
Best Cheer (Xiamen) Stone Works Co., Ltd
Bestone High Tech Materials Co., Limited
Bestview (Fuzhou) Import & Export Co. Ltd.
Deyuan Panmin International Limited
East Asia Limited
Elite Industry International Group Limited
Foshan Biyu Stone Co., Limited
Foshan Sanshui Queen Ceramic Inc
Foshan Shunde O'Riordan Building Materials Manufacture Co., Ltd
Golden Dragon Stone Co., Limited
Hirsch Glass (Dalian) Co., Ltd.
Huahe Stone (Yunfu) Co., Ltd.
KBI Construction Materials Ltd.
Landmark Surface Company Limited
Lindberg Stone Co., Limited
Lixin Stone Co., Limited
Macostone International Industry Co., Limited
Quanzhou Xinxing Stone Technics Co., Ltd.
Stone Solutions Co., Ltd.
Sunjoin Imp. & Exp. (Xiamen) Co., Limited
Vquartz Stone Limited
Wanfeng Compound Stone Technology Co., Ltd.
Xiamen Best Cheer Industry Co., Ltd
Xiamen Got Cheer Trading Co., Ltd d.b.a. Xiamen Got Cheer Co., Ltd
Xiamen Wanli Stone Decoration & Design Co., Ltd.
Xiamen Wanlistone Stock Co., Ltd.
Xinyun Stone (Yunfu) Co., Ltd.
Yunfu Weibao Stone Co., Ltd
Zhaoqing Uni Marble Co., Ltd

Appendix II

List of China-Owned Companies Receiving Separate Rates

Exporters Receiving a Separate Rate (China-Owned or Joint-Venture)
Anhui Youlisi Quartz Building Materials Co., Ltd d.b.a Anhui Uviistone Quartz Building Material Co., Ltd
Ansen Investment And Development Co., Limited
DH Group Co., Limited d.b.a. Xiamen DH Stone Co., Limited
Enming Art Stone Co., Ltd
Ersten Surfaces Limited
Farfield Trade Co., Ltd
Foshan Adamant Science & Technology Co., Ltd
Foshan Bluesea Quartz Stone Co., Ltd.
Heshan Nande Stone Industry Co., Ltd.
Foshan Evergreen Import and Export Co., Ltd
Foshan Leda Building Materials Co., Ltd.
Foshan Monica Quartz Stone Co., Ltd.
Foshan Nanhai Cuipo Artificial Quartz Co., Ltd.
Foshan Opalus Stone Co., Ltd
Foshan Opaly Composite Materials Co., Ltd.
Foshan Rongguan Glass Material For Building Co., Ltd
Free Trans International Trading Limited
Fujian Nan'an Zuci Building Material Co., Ltd.
Fujian Pengxiang Industrial Co., Ltd.
Fujian Putian Wangzhong New Type Building Materials Co., Ltd
Fujian Quanzhou Risheng Stone Co., Ltd
Fuzhou CBM Imp. And Exp. Co., Ltd.
Guangdong Bitto New Material Technologies Co., Ltd
Guangdong Bosun Quartz Stone Co., Ltd.
Guangdong Overland Ceramics Co., Ltd.
Guangdong Zhongxun New Material Co., Ltd
Guangzhou Gelandy New Material Co., Ltd.
Guangzhou Wei Sheng Stone Building Materials Co., Ltd
HCH Industrial Co Ltd d.b.a., Shenzhen Hengchang hao Industrial co., LTD
Heshan Biyu Stone Company
HongKong FS Development Limited
Huidong Hexingtai Industry Co., Ltd
Intec Stone (Xiamen) Ltd.
Jiangxi Jingwei Stone Co., Ltd, d.b.a. Jiangxi Jingwei Stone Material Ltd.

Exporters Receiving a Separate Rate (China-Owned or Joint-Venture)
Kaistar (Xiamen) Co., Ltd.
Lanling Jinzhao New Material Co., Ltd.
Loyalty Enterprise Development (Xinyang) Co., Ltd
Lulong Ruitong Trading Co., Ltd.
Monica Surfaces Company Limited
Nan'an Guangtaixiang Stone Co., Ltd.
Nanchang Montary Industrial Co., Ltd
New Powerstone Industry Co., Limited
Newstar (Quanzhou) Industrial Co., Ltd
One Stone Quartz Co., Ltd.
Penglai Huasheng Electronic Co., Ltd.
Po Nice International Trading Limited
Qinhuangdao Jingwei Stone Co., Ltd.
Quanzhou Franco Trade Co., Ltd.
Quanzhou Yifeng Co., Ltd. (AKA Quanzhou Yifeng Industries Corporation)
Ronghuaifu Yunfu Stone Co., Ltd
Shanghai Rightime International Trading Co., Ltd.
Shunsen Industries Corporation
Sinostone (Guangdong) Co., Ltd
Teltos Quartz Stone Co., Ltd.
Wanfu Building Materials Products Co., Ltd. Nanan Fujian
Wuxi Yushea Furniture Co., Ltd.
Xiamen Ally Group Co., Ltd.
Xiamen Avanti Stone Industrial Co., Ltd.
Xiamen City Yadilong Imp & Exp. Co., Ltd
Xiamen Deyuan Panmin Trading Co., Ltd.
Xiamen Duoajia Stone Material Co., Ltd. d.b.a. Xiamen Multi-Family Stone Co., Ltd.
Xiamen Enrich Co., Ltd.
Xiamen Fortua (Hong Kong) Industry Co., Limited.
Xiamen Further Star Imp and Exp Co., Ltd
Xiamen Gofor Stone Co., Ltd.
Xiamen Good Time Stone Co., Ltd.
Xiamen Honglei Imp. & Exp. Co., Ltd. d.b.a. Honglei (Xiamen) Stone Co., Ltd.
Xiamen Injoy Import & Export Co., Ltd.
Xiamen Interock Stone Co., Ltd.
Xiamen Jianming Rising Import & Export Co., Ltd
Xiamen Luck Stone Co., Ltd.
Xiamen Maoshuang Stone Industry Co., Ltd.

Exporters Receiving a Separate Rate (China-Owned or Joint-Venture)
Xiamen Northern Mining Stone Co., Ltd
Xiamen Ogrand Stone Imp. & Exp. Co., Ltd.
Xiamen Oriental Stone Products Co., Ltd.
Xiamen Orienti New Building Materials Ltd.
Xiamen Qinhui Import & Export Co., Ltd.
Xiamen Realho Stone Co., Ltd.
Xiamen Shihui Stone Product Co., Ltd.
Xiamen Sinocau Import & Export Co., Ltd.
Xiamen Smarter Stone Co., Ltd.
Xiamen Stone Forest Co., Ltd.
Xiamen Stone Harbour Co., Ltd.
Xiamen Stonelink Imp & Exp Co., Ltd
Xiamen Stonevic Co., Ltd.
Xiamen Sun Young Corporation
Xiamen Terry Stone Co., Ltd
Xiamen Touch Stone Co., Ltd.
Xiamen Vatro Stone Imp. & Exp. Co., Ltd.
Xiamen Vesen Imp. & Exp. Trade Co., Ltd
Xiamen Wanfu Trade Co., Ltd.
Xiamen Winson Import and Export Co., Ltd.
Xiamen Yadonglong Imp & Exp. Co., Ltd.
Xiamen Yalitong Stone Industrial Co., Ltd.
Xiamen Yeyang Import & Export Co., Ltd. (AKA Xiamen Yeyang Imp&Exp Co., Ltd.)
Xiamen Yiqing Imp. & Exp. Co., Ltd.
Xiamen Zhongguanshi Stone Industry Co., Limited.
Yekalon Industry Inc.
Yunfu Andi Stone Co., Ltd.
Yunfu Chuangyun New Meterail Co., Ltd
Yunfu Dong Shan Stone Material Co., Ltd
Yunfu Honghai Co., Ltd.
Yunfu Jiuru Stone Ltd
Yunfu Meiao Stone Co., Ltd.
Yunfu Wayon Stone Co., Ltd
Yunfu Wintop Stone Co., Ltd.
Zhangzhou OCA Furniture Co., Ltd
Zhaoqing Aibo New Material Technology Co., Ltd.
Zhaoqing Maxstone Com., Ltd.

Appendix III

List of Companies Which Filed Separate Rate Applications

	Exporter	SRA Submission Date
1	Anhui Youlisi Quartz Building Materials Co., Ltd d.b.a Anhui Uviistone Quartz Building Material Co., Ltd	7/13/2018
2	Ansen Investment And Development Co., Limited	7/11/2018
3	Aurea Stone Solutions Inc	6/29/2018
4	Best Bath & Kitchen Co., Limited	7/13/2018
5	Best Cheer (Xiamen) Stone Works Co., Ltd	7/13/2018
6	Bestone High Tech Materials Co., Limited	7/13/2018
7	Bestview (Fuzhou) Import & Export Co. Ltd.	6/22/2018
8	Deyuan Panmin International Limited	6/22/2018
9	DH Group Co., Limited d.b.a. Xiamen DH Stone Co., Limited	7/13/2018
10	East Asia Limited	7/6/2018
11	Elite Industry International Group Limited	7/13/2018
12	Enming Art Stone Co., Ltd	7/13/2018
13	Ersten Surfaces Limited	7/13/2018
14	Farfield Trade Co., Ltd	7/9/2018
15	Foshan Adamant Science & Technology Co., Ltd	6/22/2018
16	Foshan Biyu Stone Co., Limited	7/13/2018
17	Foshan Blusea Quartz Stone Co., Ltd.	7/9/2018
18	Heshan Nande Stone Industry Co., Ltd.	7/6/2018
19	Foshan Evergreen Import and Export Co., Ltd	7/9/2018
20	Foshan Leda Building Materials Co., Ltd.	6/22/2018
21	Foshan Monica Quartz Stone Co., Ltd.	7/13/2018
22	Foshan Nanhai Cuipo Artificial Quartz Co., Ltd.	7/6/2018
23	Foshan Opalus Stone Co., Ltd	6/29/2018
24	Foshan Opaly Composite Materials Co., Ltd.	6/29/2018
25	Foshan Quartz Stone Imp & Exp Co., Ltd.	7/9/2018
26	Foshan Rongguan Glass Material For Building Co., Ltd	7/13/2018
27	Foshan Sanshui Queen Ceramic Inc	7/9/2018
28	Foshan Shunde O'Riordan Building Materials Manufacture Co., Ltd	7/9/2018
29	Free Trans International Trading Limited	6/29/2018
30	Fujian Nan'an Zuci Building Material Co., Ltd.	6/29/2018
31	Fujian Pengxiang Industrial Co., Ltd.	6/28/2018
32	Fujian Putian Wangzhong New Type Building Materials Co., Ltd	7/6/2018
33	Fujian Quanzhou Risheng Stone Co., Ltd	7/13/2018
34	Fuzhou CBM Imp. And Exp. Co., Ltd.	6/22/2018

	Exporter	SRA Submission Date
35	Golden Dragon Stone Co., Limited	6/22/2018
36	Guangdong Bitto New Material Technologies Co., Ltd	6/29/2018
37	Guangdong Bosun Quartz Stone Co., Ltd.	7/11/2018
38	Guangdong Overland Ceramics Co., Ltd.	7/6/2018
39	Guangdong Zhongxun New Material Co., Ltd	6/22/2018
40	Guangzhou Gelandy New Material Co., Ltd.	7/13/2018
41	Guangzhou Wei Sheng Stone Building Materials Co., Ltd	7/6/2018
42	HCH Industrial Co Ltd d.b.a., Shenzhen Hengchang hao Industrial co., LTD	6/22/2018
43	Hero Stone Co., Ltd.	7/9/2018
44	Heshan Biyu Stone Company	7/13/2018
45	Hirsch Glass (Dalian) Co., Ltd.	7/13/2018
46	HongKong FS Development Limited	6/29/2018
47	Huahe Stone (Yunfu) Co., Ltd.	7/11/2018
48	Huidong Hexingtai Industry Co., Ltd	6/15/2018
49	Intec Stone (Xiamen) Ltd.	6/28/2018
50	Jiangxi Jingwei Stone Co., Ltd, d.b.a. Jiangxi Jingwei Stone Material Ltd.	6/22/2018
51	Kaistar (Xiamen) Co., Ltd.	7/12/2018
52	KBI Construction Materials Ltd.	6/22/2018
53	Landmark Surface Company Limited	7/13/2018
54	Lanling Jinzhao New Material Co., Ltd.	6/27/2018
55	Lindberg Stone Co., Limited	6/29/2018
56	Lixin Stone Co., Limited	6/22/2018
57	Loyalty Enterprise Development (Xinyang) Co., Ltd	6/22/2018
58	Lulong Ruitong Trading Co., Ltd.	6/29/2018
59	Macostone International Industry Co., Limited	6/29/2018
60	Monica Surfaces Company Limited	7/13/2018
61	Nan'an Guangtaixiang Stone Co., Ltd.	6/29/2018
62	Nanchang Montary Industrial Co., Ltd	6/22/2018
63	New Powerstone Industry Co., Limited	7/11/2018
64	Newstar (Quanzhou) Industrial Co., Ltd	6/29/2018
65	One Stone Quartz Co., Ltd.	7/13/2018
66	Penglai Huasheng Electronic Co., Ltd.	7/6/2018
67	Po Nice International Trading Limited	7/9/2018
68	Qinhuangdao Jingwei Stone Co., Ltd.	6/29/2018
69	Quanzhou Franco Trade Co., Ltd.	6/28/2018
70	Quanzhou Xinxing Stone Technics Co., Ltd.	6/29/2018
71	Quanzhou Yifeng Co., Ltd. (AKA Quanzhou Yifeng Industries Corporation)	7/6/2018

	Exporter	SRA Submission Date
72	Ronghuafu Yunfu Stone Co., Ltd	7/9/2018
73	Shanghai Righttime International Trading Co., Ltd.	7/13/2018
74	Shunsen Industries Corporation	6/29/2018
75	Sinostone (Guangdong) Co., Ltd	6/22/2018
76	Stone Solutions Co., Ltd.	6/22/2018
77	Sunjoin Imp. & Exp. (Xiamen) Co., Limited	6/29/2018
78	Teltos Quartz Stone Co., Ltd.	7/9/2018
79	Vemy Quartz Surface Co., Ltd.	7/11/2018
80	Vquartz Stone Limited	7/9/2018
81	Wanfeng Compound Stone Technology Co., Ltd.	7/5/2018
82	Wanfu Building Materials Products Co., Ltd. Nanan Fujian	6/29/2018
83	Wuxi Yushea Furniture Co., Ltd.	6/27/2018
84	Xiamen Ally Group Co., Ltd.	6/28/2018
85	Xiamen Avanti Stone Industrial Co., Ltd.	6/29/2018
86	Xiamen Best Cheer Industry Co., Ltd	7/13/2018
87	Xiamen City Yadilong Imp & Exp. Co., Ltd	6/27/2018
88	Xiamen Deyuan Panmin Trading Co., Ltd.	6/22/2018
89	Xiamen DuoJia Stone Material Co., Ltd. d.b.a. Xiamen Multi-Family Stone Co., Ltd.	6/22/2018
90	Xiamen Enrich Co., Ltd.	7/13/2018
91	Xiamen Fortua (Hong Kong) Industry Co., Limited.	7/13/2018
92	Xiamen Further Star Imp and Exp Co., Ltd	6/22/2018
93	Xiamen Gofor Stone Co., Ltd.	7/13/2018
94	Xiamen Good Time Stone Co., Ltd.	6/29/2018
95	Xiamen Got Cheer Trading Co., Ltd d.b.a. Xiamen Got Cheer Co., Ltd	7/13/2018
96	Xiamen Honglei Imp. & Exp. Co., Ltd. d.b.a. Honglei (Xiamen) Stone Co., Ltd.	6/29/2018
97	Xiamen Injoy Import & Export Co., Ltd.	7/6/2018
98	Xiamen Interock Stone Co., Ltd.	6/22/2018
99	Xiamen Jianming Rising Import & Export Co., Ltd	6/29/2018
100	Xiamen Luck Stone Co., Ltd.	7/13/2018
101	Xiamen Maoshuang Stone Industry Co., Ltd.	6/29/2018
102	Xiamen Northern Mining Stone Co., Ltd	6/22/2018
103	Xiamen Ogrand Stone Imp. & Exp. Co., Ltd.	6/22/2018
104	Xiamen Oriental Stone Products Co., Ltd.	6/22/2018
105	Xiamen Orienti New Building Materials Ltd.	6/29/2018
106	Xiamen Qinhui Import & Export Co., Ltd.	6/29/2018
107	Xiamen Realho Stone Co., Ltd.	7/13/2018
108	Xiamen Shihui Stone Product Co., Ltd.	7/13/2018

	Exporter	SRA Submission Date
109	Xiamen Sinocau Import & Export Co., Ltd.	7/13/2018
110	Xiamen Smarter Stone Co., Ltd.	7/6/2018
111	Xiamen Stone Forest Co., Ltd.	6/29/2018
112	Xiamen Stone Harbour Co., Ltd.	7/6/2018
113	Xiamen Stonelink Imp & Exp Co., Ltd	6/29/2018
114	Xiamen Stonevic Co., Ltd.	7/12/2018
115	Xiamen Sun Young Corporation	7/6/2018
116	Xiamen Terry Stone Co., Ltd	7/6/2018
117	Xiamen Touch Stone Co., Ltd.	6/22/2018
118	Xiamen Vatro Stone Imp. & Exp. Co., Ltd.	7/9/2018
119	Xiamen Vesen Imp. & Exp. Trade Co., Ltd	6/29/2018
120	Xiamen Wanfu Trade Co., Ltd.	6/22/2018
121	Xiamen Wanli Stone Decoration & Design Co., Ltd.	6/28/2018
122	Xiamen Wanlistone Stock Co., Ltd.	6/28/2018
123	Xiamen Winson Import and Export Co., Ltd.	7/13/2018
124	Xiamen Yadonglong Imp & Exp. Co., Ltd.	6/29/2018
125	Xiamen Yalitong Stone Industrial Co., Ltd.	7/13/2018
126	Xiamen Yeyang Import & Export Co., Ltd. (AKA Xiamen Yeyang Imp&Exp Co., Ltd.)	7/5/2018
127	Xiamen Yiqing Imp. & Exp. Co., Ltd.	7/9/2018
128	Xiamen Zhongguanshi Stone Industry Co., Limited.	6/29/2018
129	Xinyun Stone (Yunfu) Co., Ltd.	7/11/2018
130	Yekalon Industry Inc.	7/6/2018
131	Yunfu Andi Stone Co., Ltd.	7/11/2018
132	Yunfu Chuangyun New Meterail Co., Ltd	6/28/2018
133	Yunfu Dong Shan Stone Material Co., Ltd	7/6/2018
134	Yunfu Honghai Co., Ltd.	7/13/2018
135	Yunfu Jiuru Stone Ltd	7/13/2018
136	Yunfu Meiao Stone Co., Ltd.	7/11/2018
137	Yunfu Wayon Stone Co., Ltd	7/11/2018
138	Yunfu Weibao Stone Co., Ltd	7/11/2018
139	Yunfu Wintop Stone Co., Ltd.	7/11/2018
140	Zhangzhou OCA Furniture Co., Ltd	7/6/2018
141	Zhaoqing Aibo New Material Technology Co., Ltd.	7/13/2018
142	Zhaoqing Maxstone Com., Ltd.	7/9/2018
143	Zhaoqing Uni Marble Co., Ltd	7/13/2018