



A-570-051
Administrative Review
POR: 6/23/2017 – 12/31/2018
Public Document
E&C/OV: KJA

January 31, 2020

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the
Antidumping Duty Administrative Review of Certain Hardwood
Plywood Products from the People's Republic of China; 2017-
2018

I. SUMMARY

In response to requests from interested parties, the Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on certain hardwood plywood products (hardwood plywood) from the People's Republic of China (China) covering the period of review (POR) June 23, 2017 through December 31, 2018. The mandatory respondent in this review is Linyi Chengen Import and Export Co., Ltd. (Chengen). We preliminarily find that Chengen sold subject merchandise in the United States at less than normal value (NV) during the POR and that Chengen qualifies for a separate rate.

Commerce also preliminarily finds that 20 other companies have established their eligibility for a separate rate, while seven companies have failed to establish their eligibility for a separate rate.

If these preliminary results are adopted in our final results of administrative review, Commerce will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. We intend to issue final results of this review no later than 120 days from the date of publication of these preliminary results pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.221, unless extended.



II. BACKGROUND

On February 8, 2019, Commerce notified interested parties of the opportunity to request an administrative review of orders, findings, or suspended investigations with anniversary dates in the month of January, including the AD order on hardwood plywood from China.¹ On February 28, 2019, we received requests from various interested parties for an administrative review of 57 exporters and producers of subject merchandise.² On April 1, 2019, Commerce published a notice initiating an AD administrative review of hardwood plywood from China covering 57 companies for the POR.³

In the *Initiation Notice*, Commerce stated that if a producer or exporter had no exports, sales, or entries during the POR, it must notify Commerce within 30 days of publication of the notice.⁴ None of the companies or company groupings subject to this review reported making no shipments during the POR.

On April 1, 2019, we placed CBP import data for the POR on the record and invited interested parties to comment regarding the data and respondent selection.⁵ On April 8, 2019, the Coalition for Fair Trade in Hardwood Plywood (the petitioner) submitted comments on the CBP data and on respondent selection.⁶ We also received comments from Linyi Evergreen Wood Co., Ltd. (Evergreen), Vietnam Finewood, and Xuzhou Jiangheng Wood Products Co., Ltd. (Xuzhou Jiangheng).⁷ On April 15, 2019, the petitioner submitted rebuttal comments on the CBP data and on respondent selection.⁸

¹ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 84 FR 2816 (February 8, 2019).

² See Morgan Truck Body LLC's Letter, "Request for Administrative Review," dated February 28, 2019; see also Vietnam Finewood Company Limited's (Vietnam Finewood's) Letter, "Request for Administrative Review," dated February 28, 2019; Anhui Hoda Wood Co., Ltd.'s (Anhui Hoda's), *et al.*, Letter, "Request for Administrative Review," dated February 28, 2019; Shanghai Luli Trading Co., Ltd.'s Letter, "Request for Administrative Review," dated February 28, 2019; Cosco Star International Co., Ltd.'s (Cosco Star's), *et al.*, Letter, "Request for Administrative Review," dated February 28, 2019; Sierra Forest Products Inc.'s Letter, "Request for Review," dated February 28, 2019; Richmond International Forest Products LLC's Letter, "Request for Review," dated February 28, 2019; Canusa Wood Products Ltd.'s Letter, "Request for Review," dated February 28, 2019; Taraca Pacific Inc.'s Letter, "Request for Review," dated February 28, 2019; Concannon Corp.'s Letter, "Request for Review," dated February 28, 2019; and Cha Trading LLC's Letter, "Request for Administrative Review," dated February 28, 2019; and Cosco Star's, *et al.*, Letter, "Correction to Request for Administrative Review," dated March 1, 2019.

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 12200 (April 1, 2019) (*Initiation Notice*). We note that, although 58 companies are listed in the *Initiation Notice*, Qingdao Top P&Q International Corp. (Qingdao Top) was inadvertently listed twice.

⁴ *Id.*, 84 FR at 12200.

⁵ See Memorandum, "Antidumping Duty Administrative Review of Certain Hardwood Plywood Products from the People's Republic of China: U.S. Customs Data for Respondent Selection," dated April 1, 2019 (CBP data).

⁶ See Petitioner's Letter, "The Coalition's Comments on CBP Data and Respondent Selection," dated April 8, 2019.

⁷ See Linyi Evergreen's Letter, "Comments on CBP Data and Respondent Selection," dated April 8, 2019; Vietnam Finewood's Letter, "Comments on CBP Data and Respondent Selection," dated April 8, 2019; and Xuzhou Jiangheng's Letter, "Comments on CBP Data and Respondent Selection," dated April 8, 2019.

⁸ See Petitioner's Letter, "The Coalition's Rebuttal Comments on CBP Data and Respondent Selection," dated April 15, 2019.

In the *Initiation Notice*, Commerce also stated that parties requesting separate rate status must do so within 30 days of publication of the notice (*i.e.*, May 1, 2019).⁹ Between April 29, 2019, and May 1, 2019, 23 companies submitted separate rate certifications (SRCs).¹⁰

On May 16, 2019, Commerce selected Chengen and Lianyungang Yuantai as mandatory respondents in this administrative review.¹¹ Commerce issued the initial AD questionnaire to Chengen and Lianyungang Yuantai and the domestic subsidies pass-through questionnaire to Chengen.¹² On June 10, 2019, Lianyungang Yuantai notified Commerce that it was withdrawing from participation in this administrative review and that it did not intend to respond to Commerce's questionnaire.¹³ Between July 2019 and January 2020, Chengen timely responded to the initial AD questionnaire and supplemental questionnaires issued by Commerce.¹⁴

⁹ See *Initiation Notice*, 84 FR at 12201-02.

¹⁰ See Cosco Star's Letter, "Separate Rate Certification," dated April 29, 2019; see also Happy Wood Industrial Group Co., Ltd.'s (Happy Wood's) Letter, "Separate Rate Certification," dated April 30, 2019; Jiangsu High Hope Arser Co., Ltd.'s (High Hope's) Letter, "Separate Rate Certification," dated April 30, 2019; Qingdao Top's Letter, "Separate Rate Certification," dated April 30, 2019; Shanghai Luli Trading Co., Ltd.'s Letter, "1st Administrative Review; Submission of Separate Rate Certification," dated April 30, 2019; Zhejiang Dehua TB Import & Export Co., Ltd.'s (Zhejiang Dehua's) Letter, "Separate Rate Certification," dated April 30, 2019; Anhui Hoda's Letter, "Separate Rate Certification," dated May 1, 2019; Shanghai Brightwood Trading Co., Ltd.'s (Shanghai Brightwood's) Letter, "Separate Rate Certification," dated May 1, 2019; Chengen's Letter, "Separate Rate Certification," dated May 1, 2019 (Chengen SRC); Evergreen's Letter, "Separate Rate Certification," dated May 1, 2019; Shanghai Futuwood Trading Co., Ltd.'s (Shanghai Futuwood's) Letter, "Separate Rate Certification," dated May 1, 2019; Linyi Glary Plywood Co., Ltd.'s (Linyi Glary's) Letter, "Separate Rate Certification," dated May 1, 2019; Linyi Huasheng Yongbin Wood Co., Ltd.'s (Linyi Huasheng's) Letter, "Separate Rate Certification," May 1, 2019; Xuzhou Jiangheng's Letter, "Separate Rate Certification," dated May 1, 2019; Xuzhou Jiangyang Wood Industries Co., Ltd.'s (Xuzhou Jiangyang's) Letter, "Separate Rate Certification," dated May 1, 2019; Jiaxing Hengtong Wood Co., Ltd.'s (Jiaxing Hengtong's) Letter, "Separate Rate Certification," dated May 1, 2019; Linyi Jiahe Wood Industry Co., Ltd.'s (Linyi Jiahe's) Letter, "Separate Rate Certification," dated May 1, 2019; Suzhou Oriental Dragon Import and Export Co., Ltd.'s (Suzhou Oriental's) Letter, "Separate Rate Certification," dated May 1, 2019; Linyi Sanfortune Wood Industries Co., Ltd.'s (Linyi Sanfortune's) Letter, "Separate Rate Certification," dated May 1, 2019; Suqian Hopeway International Trade Co., Ltd.'s (Suqian Hopeway's) Letter, "Separate Rate Certification," dated May 1, 2019; Xuzhou Timber International Trade Co., Ltd.'s (Xuzhou Timber's) Letter, "Separate Rate Certification," dated May 1, 2019; Highland Industries - Hanlin, aka Highland Industries Inc.'s (Highland Industries') Letter, "Separate Certification of Highland Industries," dated May 1, 2019; and Lianyungang Yuantai International Trade Co., Ltd.'s (Lianyungang Yuantai's) Letter, "Separate Rate Certification," dated April 29, 2019.

¹¹ See Memorandum, "Certain Hardwood Plywood Products from the People's Republic of China, 2017 – 2018: Respondent Selection," dated May 16, 2019 (Respondent Selection Memorandum).

¹² See Commerce Letters, "Antidumping Duty Questionnaire," dated June 4, 2019; and "Domestic Subsidies Questionnaire," dated August 6, 2019.

¹³ See Lianyungang Yuantai's Letter, "Withdrawal from Administrative Review," dated June 10, 2019.

¹⁴ See Chengen's July 2, 2019 Section A Questionnaire Response (Chengen July 2, 2109 AQR); see also Chengen July 23, 2019 Sections C and D Questionnaire Response (Chengen July 23, 2019 CDQR); Chengen August 14, 2019 Domestic Subsidies Questionnaire Response (Chengen Domestic Subsidies Response); Chengen August 23, 2019 Supplemental Section A Questionnaire Response (Chengen August 23, 2019 SAQR); Chengen November 19, 2019 Supplemental Section C Questionnaire Response; Chengen December 2, 2019 Supplemental Section D Questionnaire Response (Chengen December 2, 2019 SDQR); and Chengen January 16, 2020 Supplemental Section C and D Questionnaire Response.

Commerce stated in the *Initiation Notice* that parties may withdraw a request for an administrative review within 90 days of publication of the *Initiation Notice*.¹⁵ On November 15, 2019, we rescinded the administrative review with respect to 29 companies for which all review requests were timely withdrawn, including mandatory respondent Lianyungang Yuantai.¹⁶

In response to Commerce's August 16, 2019, request for comments on surrogate country (SC) selection and surrogate values (SVs),¹⁷ Chengen and the petitioner each submitted comments regarding SC selection and SVs between August 2019 and January 2020.¹⁸

On September 20, 2019, Commerce extended the time limit for completing the preliminary results of this review. The current extended deadline for completing the preliminary results of this review is January 31, 2020.¹⁹

III. SCOPE OF THE ORDER

The merchandise covered by this order is hardwood and decorative plywood, and certain veneered panels as described below. For purposes of this proceeding, hardwood and decorative plywood is defined as a generally flat, multilayered plywood or other veneered panel, consisting of two or more layers or plies of wood veneers and a core, with the face and/or back veneer made of non-coniferous wood (hardwood) or bamboo. The veneers, along with the core may be glued or otherwise bonded together. Hardwood and decorative plywood may include products that meet the American National Standard for Hardwood and Decorative Plywood, ANSI/HPVA HP-1-2016 (including any revisions to that standard).

For purposes of this proceeding a "veneer" is a slice of wood regardless of thickness which is cut, sliced or sawed from a log, bolt, or flitch. The face and back veneers are the outermost veneer of wood on either side of the core irrespective of additional surface coatings or covers as described below.

The core of hardwood and decorative plywood consists of the layer or layers of one or more material(s) that are situated between the face and back veneers. The core may be composed of a range of materials, including but not limited to hardwood, softwood, particleboard, or medium-density fiberboard (MDF).

¹⁵ See *Initiation Notice*, 84 FR at 12201.

¹⁶ See *Certain Hardwood Plywood Products from the People's Republic of China: Partial Rescission of Antidumping Duty Administrative Review; 2017- 2018*, 84 FR 62509 (November 15, 2019) (*Rescission Notice*).

¹⁷ See Commerce's Letter, "Request for Economic Development, Surrogate Country and Surrogate Value Comments and Information," dated August 16, 2019 (Request for SC and SV Comments).

¹⁸ See Petitioner's Letter, "Comments on Surrogate Country Selection," dated August 23, 2019 (Petitioner SC Comments); see also Chengen's Letter, "Comments on the Surrogate Country List & Primary Surrogate Country," dated August 23, 2019 (Chengen SC Comments); Petitioner's Letter, "Submission of Surrogate Values," dated September 13, 2019 (Petitioner SV Comments); Chengen's Letter, "Preliminary Surrogate Value Submission," dated September 13, 2019 (Chengen SV Comments); Chengen's Letter, "Rebuttal Surrogate Value Submission," dated September 23, 2019 (Chengen Rebuttal SV Comments); Petitioner's Letter, "Final Surrogate Value Submission," dated January 2, 2020 (Petitioner Pre-Prelim SV Comments); and Chengen's Letter, "Final Surrogate Value Submission," dated January 2, 2020 (Chengen Pre-Prelim SV Comments).

¹⁹ See Memorandum, "Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated September 20, 2019.

All hardwood plywood is included within the scope of this investigation regardless of whether or not the face and/or back veneers are surface coated or covered and whether or not such surface coating(s) or covers obscures the grain, textures, or markings of the wood. Examples of surface coatings and covers include, but are not limited to: ultra violet light cured polyurethanes; oil or oil-modified or water based polyurethanes; wax; epoxy-ester finishes; moisture-cured urethanes; paints; stains; paper; aluminum; high pressure laminate; MDF; medium density overlay (MDO); and phenolic film. Additionally, the face veneer of hardwood plywood may be sanded; smoothed or given a “distressed” appearance through such methods as hand-scraping or wire brushing. All hardwood plywood is included within the scope even if it is trimmed; cut-to-size; notched; punched; drilled; or has underwent other forms of minor processing.

All hardwood and decorative plywood is included within the scope of this order, without regard to dimension (overall thickness, thickness of face veneer, thickness of back veneer, thickness of core, thickness of inner veneers, width, or length). However, the most common panel sizes of hardwood and decorative plywood are 1219 x 1829 mm (48 x 72 inches), 1219 x 2438 mm (48 x 96 inches), and 1219 x 3048 mm (48 x 120 inches).

Subject merchandise also includes hardwood and decorative plywood that has been further processed in a third country, including but not limited to trimming, cutting, notching, punching, drilling, or any other processing that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the in-scope product.

The scope of the investigation excludes the following items: (1) structural plywood (also known as “industrial plywood” or “industrial panels”) that is manufactured to meet U.S. Products Standard PS 1-09, PS 2-09, or PS 2-10 for Structural Plywood (including any revisions to that standard or any substantially equivalent international standard intended for structural plywood), and which has both a face and a back veneer of coniferous wood; (2) products which have a face and back veneer of cork; (3) multilayered wood flooring, as described in the antidumping duty and countervailing duty orders on Multilayered Wood Flooring from the People’s Republic of China, Import Administration, International Trade Administration. *See Multilayered Wood Flooring from the People’s Republic of China*, 76 FR 76690 (December 8, 2011) (amended final determination of sales at less than fair value and antidumping duty order), and *Multilayered Wood Flooring from the People’s Republic of China*, 76 FR 76693 (December 8, 2011) (countervailing duty order), as amended by *Multilayered Wood Flooring from the People’s Republic of China: Amended Antidumping and Countervailing Duty Orders*, 77 FR 5484 (February 3, 2012); (4) multilayered wood flooring with a face veneer of bamboo or composed entirely of bamboo; (5) plywood which has a shape or design other than a flat panel, with the exception of any minor processing described above; (6) products made entirely from bamboo and adhesives (also known as “solid bamboo”); and (7) Phenolic Film Faced Plyform (PFF), also known as Phenolic Surface Film Plywood (PSF), defined as a panel with an “Exterior” or “Exposure 1” bond classification as is defined by The Engineered Wood Association, having an opaque phenolic film layer with a weight equal to or greater than 90g/m³ permanently bonded on both the face and back veneers and an opaque, moisture resistant coating applied to the edges.

Excluded from the scope of this order are wooden furniture goods that, at the time of importation, are fully assembled and are ready for their intended uses. Also excluded from the scope of this investigation is “ready to assemble” (RTA) furniture. RTA furniture is defined as (A) furniture packaged for sale for ultimate purchase by an end-user that, at the time of importation, includes 1) all wooden components (in finished form) required to assemble a finished unit of furniture, 2) all accessory parts (e.g., screws, washers, dowels, nails, handles, knobs, adhesive glues) required to assemble a finished unit of furniture, and 3) instructions providing guidance on the assembly of a finished unit of furniture; (B) unassembled bathroom vanity cabinets, having a space for one or more sinks, that are imported with all unassembled hardwood and hardwood plywood components that have been cut-to-final dimensional component shape/size, painted or stained prior to importation, and stacked within a singled shipping package, except for furniture feet which may be packed and shipped separately; or (C) unassembled bathroom vanity linen closets that are imported with all unassembled hardwood and hardwood plywood components that have been cut-to-final dimensional shape/size, painted or stained prior to importation, and stacked within a single shipping package, except for furniture feet which may be packed and shipped separately.

Excluded from the scope of this order are kitchen cabinets that, at the time of importation, are fully assembled and are ready for their intended uses. Also excluded from the scope of this investigation are RTA kitchen cabinets. RTA kitchen cabinets are defined as kitchen cabinets packaged for sale for ultimate purchase by an end-user that, at the time of importation, includes 1) all wooden components (in finished form) required to assemble a finished unit of cabinetry, 2) all accessory parts (e.g., screws, washers, dowels, nails, handles, knobs, hooks, adhesive glues) required to assemble a finished unit of cabinetry, and 3) instructions providing guidance on the assembly of a finished unit of cabinetry.

Excluded from the scope of this order are finished table tops, which are table tops imported in finished form with pre-cut or drilled openings to attach the underframe or legs. The table tops are ready for use at the time of import and require no further finishing or processing.

Excluded from the scope of this order are finished countertops that are imported in finished form and require no further finishing or manufacturing.

Excluded from the scope of this order are laminated veneer lumber door and window components with (1) a maximum width of 44 millimeters, a thickness from 30 millimeters to 72 millimeters, and a length of less than 2413 millimeters (2) water boiling point exterior adhesive, (3) a modulus of elasticity of 1,500,000 pounds per square inch or higher, (4) finger-jointed or lap-jointed core veneer with all layers oriented so that the grain is running parallel or with no more than 3 dispersed layers of veneer oriented with the grain running perpendicular to the other layers; and (5) top layer machined with a curved edge and one or more profile channels throughout.

Imports of hardwood plywood are primarily entered under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 4412.10.0500; 4412.31.0520; 4412.31.0540; 4412.31.0560; 4412.31.0620; 4412.31.0640; 4412.31.0660; 4412.31.2510; 4412.31.2520; 4412.31.2610; 4412.31.2620; 4412.31.4040; 4412.31.4050; 4412.31.4060;

4412.31.4075; 4412.31.4080; 4412.31.4140; 4412.31.4150; 4412.31.4160; 4412.31.4180; 4412.31.5125; 4412.31.5135; 4412.31.5155; 4412.31.5165; 4412.31.5175; 4412.31.5235; 4412.31.5255; 4412.31.5265; 4412.31.5275; 4412.31.6000; 4412.31.6100; 4412.31.9100; 4412.31.9200; 4412.32.0520; 4412.32.0540; 4412.32.0565; 4412.32.0570; 4412.32.0620; 4412.32.0640; 4412.32.0670; 4412.32.2510; 4412.32.2525; 4412.32.2530; 4412.32.2610; 4412.32.2630; 4412.32.3125; 4412.32.3135; 4412.32.3155; 4412.32.3165; 4412.32.3175; 4412.32.3185; 4412.32.3235; 4412.32.3255; 4412.32.3265; 4412.32.3275; 4412.32.3285; 4412.32.5600; 4412.32.3235; 4412.32.3255; 4412.32.3265; 4412.32.3275; 4412.32.3285; 4412.32.5700; 4412.94.1030; 4412.94.1050; 4412.94.3105; 4412.94.3111; 4412.94.3121; 4412.94.3141; 4412.94.3161; 4412.94.3175; 4412.94.4100; 4412.99.0600; 4412.99.1020; 4412.99.1030; 4412.99.1040; 4412.99.3110; 4412.99.3120; 4412.99.3130; 4412.99.3140; 4412.99.3150; 4412.99.3160; 4412.99.3170; 4412.99.4100; 4412.99.5115; and 4412.99.5710.

Imports of hardwood plywood may also enter under HTSUS subheadings 4412.99.6000; 4412.99.7000; 4412.99.8000; 4412.99.9000; 4412.10.9000; 4412.94.5100; 4412.94.9500; and 4412.99.9500. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

IV. DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

Commerce considers China to be a non-market economy (NME) country.²⁰ In accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. Therefore, Commerce will continue to treat China as an NME country for purposes of these preliminary results of review. Commerce calculated NV using a factors of production (FOP) methodology in accordance with section 773(c) of the Act, which applies to NME countries.

Separate Rate Determination

In all proceedings involving NME countries, Commerce maintains a rebuttable presumption that all companies within China are subject to government control and, thus, should be assessed a

²⁰ 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 to Gary Taverman, "China's Status as a Non-Market Economy," dated October 26, 2017), 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).

single weighted-average dumping margin.²¹ In the *Initiation Notice*, Commerce notified parties of the application process by which exporters or exporter/producers may obtain separate rate status in NME proceedings.²² It is Commerce’s policy to assign all exporters of the merchandise subject to review in NME countries a single rate unless an exporter can affirmatively demonstrate an absence of government control, both in law (*de jure*) and in fact (*de facto*), with respect to exports. To establish whether a company is sufficiently independent to be entitled to a separate, company-specific rate, Commerce analyzes each exporting entity in an NME country under the test established in *Sparklers*,²³ as amplified by *Silicon Carbide*.²⁴ However, if Commerce determines that a company is wholly foreign-owned or located in a market economy (ME) country, then analysis of the *de jure* and *de facto* criteria are not necessary to determine whether the company is independent from government control and eligible for a separate rate.²⁵

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.²⁶ In particular, in litigation involving the *Diamond Sawblades* proceeding, the U.S. Court of International Trade (CIT) found Commerce’s existing separate rate analysis deficient in the circumstances of that case, in which a government-controlled entity had significant ownership in the respondent exporter.²⁷ Based on this, we have concluded that where a government entity

²¹ See *Polyethylene Terephthalate Film, Sheet, and Strip from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 55039, 55040 (September 24, 2008); see also *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); and *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).

²² See *Initiation Notice*, 84 FR at 12201-12202.

²³ 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*).

²⁴ 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*); see also *Yantai CMC Bearing Co. v. United States*, 203 F. Supp. 3d 1317, 1321 (CIT 2017) (affirming Commerce’s reliance on the *Sparklers* and *Silicon Carbide* tests).

²⁵ See, e.g., *Final Results of Antidumping Duty Administrative Review: Petroleum Wax Candles from the People’s Republic of China*, 72 FR 52355, 52356 (September 13, 2007).

²⁶ 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., et al. v. United States*, 885 F. Supp. 2d 1343 (CIT 2012) (*Advanced Technology*), affirmed in *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 938 F. Supp. 2d 1342 (CIT 2013). This remand redetermination is on the Enforcement and Compliance website at <http://enforcement.trade.gov/remands/12-147.pdf>; see also *Diamond Sawblades and Parts Thereof from the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 77098 (December 20, 2013), and accompanying Preliminary Decision Memorandum (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 Issues and Decision Memorandum (IDM) at Comment 1.

²⁷ 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

holds a majority ownership share, either directly or indirectly, in the respondent exporter, the majority ownership holding in and of itself means that the government exercises or has the potential to exercise control over the company's operations generally, which may include control over, for example, the selection of management, a key factor in determining whether a company has sufficient independence in its export activities to merit a separate rate. Consistent with normal business practices, we would expect any majority shareholder, including a government, to have the ability to control, and an interest in controlling, the operations of the company, including the selection of management and the profitability of the company. Accordingly, we have considered the level of government ownership in our separate rates analysis where necessary.

Separate Rates Applications and Certifications

As noted above, 23 companies subject to this administrative review submitted SRCs. However, we rescinded this review with respect to two of those applicants, Highland Industries and Lianyungang Yuantai.²⁸ Also, as noted above, Chengen is the only mandatory respondent remaining under review and it timely submitted an SRC and a complete response to the Section A portion of the NME questionnaire, which contained information pertaining to the company's eligibility for a separate rate.²⁹ In addition to Chengen, the following 20 companies timely filed SRCs and remain subject to the review: Anhui Hoda, Cosco Star, Happy Wood, High Hope, Highland Industries, Jiaxing Hengtong, Linyi Glary, Linyi Huasheng, Linyi Jiahe, Linyi Sanfortune, Qingdao Top, Shanghai Brightwood, Shanghai Luli, Shanghai Futuwood, Suqian Hopeway, Suzhou Oriental, Xuzhou Jiangheng, Xuzhou Jiangyang, Xuzhou Timber, and Zhejiang Dehua.

1. 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.³⁰

The evidence placed on the record of this administrative review by Chengen and the remaining SRC applicants listed above demonstrate an absence of *de jure* government control under the criteria identified in *Silicon Carbide* and *Sparklers*.

manager, and so on along the chain to 'day-today 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).

²⁸ See *Rescission Notice*, 84 FR at 62509.

²⁹ See Chengen SRC; Chengen July 2, 2109 AQR.

³⁰ See *Sparklers*, 56 FR at 20589.

2. Absence of *De Facto* Control

Typically, Commerce considers four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the export sales 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.³¹ 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 them separate rates.

The evidence placed on the record of this administrative review by Chengen and the remaining SRC applicants listed above demonstrates an absence of *de facto* government control under the criteria identified in *Silicon Carbide* and *Sparklers*.

Accordingly, Commerce preliminarily grants separate rate status to Chengen, because it has demonstrated that it exercises both *de facto* and *de jure* control of its operations.³² We are also preliminarily granting separate rate status to the 20 companies that certified that they either exercised both *de facto* and *de jure* control over their operations or that they were wholly foreign-owned entities.³³

Separate Rate for Companies Not Individually Examined

Section 777A(c)(1) of the Act directs Commerce to calculate an individual weighted-average dumping margin for each known exporter and 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 or 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.

In the Respondent Selection Memorandum, Commerce determined, pursuant to section 777A(c)(2) of the Act, that given the large number of producers or exporters for which a review was initiated and Commerce's current resource constraints, it would not be practicable to individually examine all known exporters/producers.³⁴ Therefore, in accordance with section 777A(c)(2)(B) of the Act, Commerce selected for individual examination the two exporters

³¹ See *Silicon Carbide*, 59 FR at 22586-87; see also *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol from the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995); see also *Jiangsu Jiansheng Photovoltaic Tech. Co. v. United States*, 28 F. Supp. 3d 1317, 1349 (CIT 2014).

³² See Chengen July 2, 2109 AQR; Chengen August 23, 2019 SAQR.

³³ Those companies are: Anhui Hoda; Cosco Star; Happy Wood; High Hope; Highland Industries; Qingdao Top; Linyi Glary; Linyi Huasheng; Linyi Jiahe; Jiaying Hengtong; Suzhou Oriental; Linyi Sanfortune; Shanghai Brightwood; Shanghai Futuwood; Shanghai Luli; Suqian Hopeway; Xuzhou Jiangheng; Xuzhou Jiangyang; Xuzhou Timber; and Zhejiang Dehua.

³⁴ See Respondent Selection Memorandum at 3-4.

accounting for the largest volume of subject merchandise exported from China during the POR, Chengen and Lianyungang Yuantai.³⁵ However, as noted above, Lianyungang Yuantai withdrew as a respondent in this administrative review and its review was subsequently rescinded.

The statute and Commerce's regulations do not address the establishment of a dumping margin for respondents not selected for individual examination when Commerce limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, Commerce looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in a ME investigation, for guidance when determining the dumping margin for respondents that Commerce did not examine individually in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference not to calculate an all-others rate using dumping margins which are zero, *de minimis* or based entirely on facts available (FA). Accordingly, Commerce's usual practice in determining the dumping margin for separate-rate respondents not selected for individual examination has been to average the weighted-average dumping margins for the individually examined respondents, excluding dumping margins that are zero, *de minimis*, or based entirely on FA.³⁶

In this administrative review, Chengen is the only reviewed respondent that received a calculated weighted-average margin. Therefore, Commerce preliminarily determines that Chengen's calculated weighted-average dumping margin will be assigned to all entities that have been granted separate-rate status.

Margin for Companies Not Receiving a Separate Rate

As noted above, we initiated an administrative review of 57 producers/exporters of hardwood plywood,³⁷ rescinded the review of 29 producers/exporters,³⁸ preliminarily granted separate rates to 20 non-selected producers/exporters,³⁹ and determined that Chengen was eligible for a separate rate.⁴⁰ Therefore, there are seven entities which do not fall within the abovementioned categories that are still subject to the administrative review: Linyi Bomei Furniture Co., Ltd., Linyi Dahua Wood Co., Ltd., Jiangsu Sunwell Cabinetry Co., Ltd., Pingyi Jinniu Wood Co., Ltd., SAICG International Trading Co., Ltd., Shandong Jinhua International Trading Co., Ltd., and Xuzhou Amish Import & Export Co., Ltd.

In the *Initiation Notice*, Commerce stated that all companies for which a review was initiated that "wish to qualify for separate rate status in the administrative reviews involving NME countries must complete, as appropriate, either a separate rate application or certification."⁴¹ Because the

³⁵ *Id.* at 6-7.

³⁶ See *Longkou Haimeng Mach. Co. v. United States*, 581 F. Supp. 2d 1344, 1357-60 (CIT 2008) (affirming Commerce's determination to assign a 4.22 percent dumping margin to the separate rate respondents in a segment where the three mandatory respondents received dumping margins of 4.22 percent, 0.03 percent, and zero percent); see also *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 36656, 36660 (July 24, 2009).

³⁷ See *Initiation Notice*, 84 FR at 12201.

³⁸ See *Rescission Notice*, 84 FR at 62509.

³⁹ See, *supra*, *Separate Rates Applications and Certifications*.

⁴⁰ *Id.*

⁴¹ See *Initiation Notice*, 84 FR at 12201-12202.

aforementioned entities did not file a separate rate application or certification, we find that these entities are not eligible for a separate rate. Accordingly, for these remaining seven entities that did not demonstrate their eligibility for separate rate status, Commerce finds that they have not rebutted the presumption of government control and, therefore, are preliminarily considered part of the China-wide entity.

The China-Wide Entity

Upon initiation of this administrative review, we provided the opportunity for all companies upon which the review was initiated to complete either the separate-rate application or certification.⁴² In NME proceedings, “rates’ may consist of a single dumping margin applicable to all exporters and producers.”⁴³ As explained above in the “Separate Rates” section, all companies within China are considered to be subject to government control unless they are able to demonstrate an absence of government control with respect to their export activities. Such companies are assigned a single AD rate distinct from the separate rate(s) determined for companies that are found to be independent of government control with respect to their export activities. We consider the influence that the government has been found to have over the economy to warrant determining a rate for the entity that is distinct from the rates found for companies that provided sufficient evidence to establish that they operate freely with respect to their export activities.⁴⁴ In this regard, no record evidence indicates that such government influence is no longer present or that our treatment of the China-wide entity is otherwise incorrect.

Commerce’s policy regarding conditional review of the China-wide entity applies to this review.⁴⁵ Under this policy, the China-wide entity will not be under review unless a party specifically requests, or Commerce self-initiates, a review of the entity. Because no party requested a review of the China-wide entity, the entity is not under review and the entity’s rate is not subject to change. As such, the China-wide entity remains subject to a dumping rate of 183.36 percent.⁴⁶

⁴² *Id.* The separate-rate application and certification are available at: <http://enforcement.trade.gov/nme/nme-sep-rate.html>.

⁴³ See 19 CFR 351.107(d).

⁴⁴ See, e.g., *Tapered Roller Bearings and Parts Thereof, Finished or Unfinished, from the People’s Republic of China: Final Results of 2005-2006 Administrative Review and Partial Rescission of Review*, 72 FR 56724 (October 4, 2007), and accompanying IDM at Comment 2.

⁴⁵ See *Antidumping Proceedings: Announcement of Change in Department Practice for Respondent Selection in Antidumping Duty Proceedings and Conditional Review of the Nonmarket Economy Entity in NME Antidumping Duty Proceedings*, 78 FR 65963, 65970 (November 4, 2013).

⁴⁶ See *Certain Hardwood Plywood Products from the People’s Republic of China: Amended Final Determination of Sales at Less Than Fair Value, and Antidumping Duty Order*, 83 FR 504, 512 (January 4, 2018).

Surrogate Country Selection

Legal and Regulatory Framework

When Commerce is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base NV, in most circumstances, on the NME producer's FOPs, valued in a surrogate ME country or countries considered to be appropriate by 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."⁴⁷

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 entble options because (A) they either are not significant producers of comparable merchandise, (B) do not provide sufficient reliable sources of publicly-available SV data, or (C) are not suitable for use based on other reasons. Surrogate countries that are not at the same level of economic development as the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development. To determine which countries are at a similar level of economic development, Commerce generally relies solely on per capita gross national income (GNI) data from the World Bank's World Development Report.⁴⁸ 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 based on data availability and quality.⁴⁹

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 development comparable to the NME country, Commerce will place primary emphasis on per capita gross domestic product (GDP) as the measure of economic comparability.⁵⁰ The CIT has found the use of per capita GNI to be a "consistent, transparent, and objective metric to identify

⁴⁷ 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>.

⁴⁸ *Id.*

⁴⁹ Pursuant to 19 CFR 351.408(c)(2), Commerce will normally value FOPs in a single surrogate country. See also *Jiaying Bro. Fastener Co. v. United States*, 822 F.3d 1289, 1294, 1302 (Fed. Cir. 2016) (upholding Commerce's regulatory preference to use a single surrogate country in selecting SVs).

⁵⁰ 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.

and compare a country’s level of economic development” and “a reasonable interpretation of the statute.”⁵¹

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,⁵² Commerce identified Brazil, Bulgaria, Malaysia, Mexico, Russia, and Turkey as countries at the same level of economic development as China based on the most current annual issue of the *World Development Report* (The World Bank).⁵³

We issued a letter to interested parties on August 16, 2019, 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, as well as the selection of the primary surrogate country, and we provided deadlines for the consideration of any submitted SV information for the preliminary results.⁵⁴ As stated above, Commerce identified Brazil, Bulgaria, Malaysia, Mexico, Russia, and Turkey as countries that are at the same level of economic development as China, based on per capita 2018 GNI data, which covers a majority of the POR.⁵⁵

As noted in the background section, we received timely comments on SC selection from the petitioner and Chengen.⁵⁶ The petitioner agreed that the countries Commerce identified on the SC list are at a level of economic development comparable to China, and, thus, they satisfy the statutory requirement.⁵⁷ Chengen argues that Commerce should find that Romania, which is not on the SC list released by Commerce that covers a majority of the POR (*i.e.*, 2018), is at the same level of economic development as China.⁵⁸ Chengen points out that Romania’s per capita GNI is only \$1,820 higher than China’s per capita GNI, and that Commerce has found in prior proceedings that potential surrogate countries may have GNI differences within this range and still be deemed at a comparable level of economic development to China.⁵⁹ However, as Chengen’s own comments demonstrate, the mix of countries that Commerce finds economically comparable to China inevitably changes over time, as China’s GNI has shifted relative to those of other countries.⁶⁰ Here, the country with the highest GNI on the SC list (Malaysia) has a GNI which is 10.5 percent higher than China’s; in contrast, Romania’s GNI difference is nearly twice

⁵¹ See *Jiaying Brother Fastener Co. v. United States*, 961 F. Supp. 2d 1323, 1329 (CIT 2014).

⁵² See Request for SC and SV Comments.

⁵³ *Id.* at Attachment (SC list).

⁵⁴ *Id.*

⁵⁵ *Id.* at Attachment.

⁵⁶ See Petitioner SC Comments; Chengen SC Comments; Petitioner SV Comments; Chengen SV Comments; Chengen Rebuttal SV Comments; Petitioner Pre-Prelim SV Comments; and Chengen Pre-Prelim SV Comments.

⁵⁷ See Petitioner SC Comments at 2.

⁵⁸ See Chengen SC Comments at 2-4.

⁵⁹ *Id.*

⁶⁰ See Chengen SC Comments, at Attachment 2; see also Memorandum, “Certain Hardwood Plywood Products from the People’s Republic of China: Preliminary Surrogate Value Memorandum,” dated January 31, 2020 (Prelim SV Memo).

that, at 19.55 percent higher than the GNI of China.⁶¹ Given these facts, we find that Romania is not at the same level of economic development as China for these preliminary results.

As noted above, unless it is determined that none of the countries identified on the SC list 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. As explained below, the record contains suitable data from a country that is at the same level of economic comparability as China and is a significant producer and exporter of comparable merchandise. Accordingly, the record of this review does not support a departure from our normal practice (*i.e.*, the selection of a country not included on the SC list as the primary SC is not warranted for these preliminary results).

Significant Producer of Identical or Comparable Merchandise

Section 773(c)(4)(B) of the Act requires Commerce, to the extent possible, to value FOPs in a SC 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. Given the absence of any definition in the statute or regulations, Commerce looks to other sources such as Policy Bulletin 04.1 for guidance on defining comparable merchandise. Policy Bulletin 04.1 states that "in all cases, if identical merchandise is produced, the country qualifies as a producer of comparable merchandise."⁶² Conversely, if identical merchandise is not produced, then a country producing comparable merchandise is sufficient in selecting a surrogate country.⁶³ Further, when selecting a surrogate country, the statute requires Commerce to consider the comparability of the merchandise, not the comparability of the industry.⁶⁴ "In cases where the identical merchandise is not produced, Commerce must determine if other merchandise that is comparable is produced. How Commerce does this depends on the subject merchandise."⁶⁵ In this regard, Commerce recognizes that any analysis of comparable merchandise must be done on a case-by-case basis:

In other cases, however, where there are major inputs, *i.e.*, inputs that are specialized or dedicated or used intensively, in the production of the subject merchandise, *e.g.*, processed agricultural, aquatic and mineral products, comparable merchandise should be identified narrowly, on the basis of a comparison of the major inputs, including energy, where appropriate.⁶⁶

⁶¹ See Prelim SV Memo at Attachment 2.

⁶² See Policy Bulletin 04.1 at 2.

⁶³ Policy Bulletin 04.1 also states that "if considering a producer of identical merchandise leads to data difficulties, the operations team may consider countries that produce a broader category of reasonably comparable merchandise." *Id.* at note 6.

⁶⁴ See *Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 62 FR 65674, 65675-76 (December 15, 1997) ("To impose a requirement that merchandise must be produced by the same process and share the same end uses to be considered comparable would be contrary to the intent of the statute.").

⁶⁵ See Policy Bulletin 04.1 at 2.

⁶⁶ *Id.* at 3.

Further, the statute grants Commerce discretion to examine various data sources for determining the best available information.⁶⁷ Moreover, while the legislative history provides that the term “significant producer” includes any country that is a significant “net exporter,”⁶⁸ it does not preclude reliance on additional or alternative metrics. It is Commerce’s practice to evaluate whether production is significant based on characteristics of world production of, and trade in, comparable merchandise (subject to the availability of data on these characteristics).⁶⁹

In its SC comment filing, the petitioner placed export value data for six Harmonized Tariff Schedule (HTS) subheadings⁷⁰ on the record and suggested that each of the six potential surrogate countries exported plywood in volumes that could be characterized as significant; therefore, the petitioner argued that these countries appear to be significant producers of comparable merchandise.⁷¹ Chengen placed plywood production and export information on the record and argued that, while not on the SC list, Romania was a significant producer of comparable merchandise and should be considered economically comparable to China.⁷²

Information on the record indicates that Brazil, Bulgaria, Malaysia, Mexico, Romania, Russia, and Turkey are each significant exporters of merchandise comparable to the merchandise that is subject to this administrative review.⁷³ Accordingly, we preliminarily find that Brazil, Bulgaria, Malaysia, Mexico, Romania, Russia, and Turkey meet the significant-producer-of-comparable-merchandise prong of the SC selection criteria, as provided in section 773(c)(4)(B) of the Act.

However, as noted above, we find for these preliminary results that Romania is not at a level of comparable economic development to China. As a result, we have considered the information on the record related to Romania only for the purposes of determining whether the Romanian data quality outweighs the difference in economic disparity.

Data Availability and Quality

If more than one potential surrogate country satisfies the statutory requirements for selection as a SC, Commerce selects the primary SC based on data availability and reliability.⁷⁴ When evaluating SV data, Commerce considers several factors, including whether the SVs are publicly

⁶⁷ See section 773(c) of the Act. *see also* *Nation Ford Chem. Co. v. United States*, 166 F.3d 1373, 1377 (Fed. Cir. 1990).

⁶⁸ See Conference Report to the 1988 Omnibus Trade & Competitiveness Act, H.R. Rep. No. 100-576 at 590 (1988).

⁶⁹ See *Xanthan Gum from the People’s Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 2252 (January 10, 2013) and accompanying PDM at 4-7, unchanged in *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013).

⁷⁰ The petitioner placed data for the following HTS subheadings on the record: 4412.31, 4412.32, 4412.33, 4412.34, 4412.94, and 4412.99.

⁷¹ See Petitioner SC Comments at 2.

⁷² See Chengen SC Comments.

⁷³ See Petitioner SC Comments; *see also* Chengen SC Comments.

⁷⁴ See Policy Bulletin 04.1.

available, contemporaneous with the POR, representative of a broad market average, tax and duty-exclusive, and specific to the inputs being valued.⁷⁵ There is no hierarchy among these criteria.⁷⁶ It is Commerce's practice to carefully consider the available evidence in light of the particular facts of each industry when undertaking its analysis.⁷⁷

In its SV filing, the petitioner provided SV data for Malaysia and Turkey.⁷⁸ Although the petitioner provided Global Trade Atlas (GTA) data, financial statements, and other source material for Malaysia on the record of this administrative review for all of Chengen's FOPs, it did not provide any Turkish financial statements by which to value Chengen's financial ratios.⁷⁹ Accordingly, because the record contains SV data with which to value all of Chengen's FOPs from a viable primary SC, we did not further consider Turkey as a viable primary SC for these preliminary results.

Accordingly, we considered the data availability and quality only of the SV data provided for Malaysia and Romania. We preliminarily find that that the record contains more, and higher-quality, data from Malaysia. In particular, we note that the Malaysian data are superior with respect to the specificity of the available SVs for labor, as well as to the breadth of available financial statements from producers of comparable merchandise.⁸⁰ With respect to the Malaysian labor SV, Chengen submitted Malaysian wage data for each month of the POR that is specific to the manufacturing of veneer sheets and plywood.⁸¹ That degree of specificity contrasts with the Romanian labor SV, also submitted by Chengen, which only represented manufacturing of wood products.⁸²

Further, with respect to the surrogate financial ratios, the record contains seven financial statements from plywood producers in Malaysia. These companies are: Focus Lumber Berhad,⁸³ Fu Yee Corporation Sdn. Bhd.,⁸⁴ Jid Fu Plywood Sdn. Bhd.,⁸⁵ Megamas Plywood Sdn. Bhd.,⁸⁶ Sabajuta Industries Sdn. Bhd.,⁸⁷ Samawang Sawmill Sdn. Bhd.,⁸⁸ Ta Ann Plywood Sdn. Bhd.⁸⁹ Each of these statements is contemporaneous and shows no evident signs of countervailable subsidies, and certain of these statements indicate that the companies primarily

⁷⁵ *Id.* See also *Qingdao Sea-Line Trading Co. v. United States*, 766 F.3d 1378, 1386 (Fed. Cir. 2014) (*Qingdao Sea-Line*).

⁷⁶ 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 IDM at Comment 1.

⁷⁷ See Policy Bulletin 04.1.

⁷⁸ See Petitioner SV Comments.

⁷⁹ *Id.*

⁸⁰ See Prelim SV Memo at Attachments 1, 9, and 10.

⁸¹ See Chengen Rebuttal SV Comments at Exhibit 4.

⁸² See Chengen SV Comments at Exhibit 5.

⁸³ See Petitioner SV Comments at Exhibit 10 (Focus Lumber Statements).

⁸⁴ See Chengen Pre-Prelim SV Comments at Exhibit 3 (Fu Yee Statements).

⁸⁵ *Id.* at Exhibit 4 (Jid Fu Statements).

⁸⁶ *Id.* at Exhibit 5 (Megamas Statements).

⁸⁷ *Id.* at Exhibit 6 (Sabajuta Statements).

⁸⁸ *Id.* at Exhibit 7 (Samawang Statements).

⁸⁹ *Id.* at Exhibit 8 (Ta Ann Statements).

sold plywood.⁹⁰ Specifically, the Focus Lumber Statements, Fu Yee Statements, Megamas Statements, and Ta Ann Statements all demonstrate that the companies were primarily engaged in the production and sale of plywood, with between 79.8 and 99 percent of sales revenue being generated via sales of plywood. We note that, while two of the remaining three sets of financial statements (*i.e.*, the Sabajuta Statements and Samawang Statements) are of an acceptable quality, they do not identify the relative product mix of the Malaysian producers' sales,⁹¹ and, thus, they are a less preferable source of SV data. Finally, we find that the seventh set of financial statements (*i.e.*, the Jid Fu Statements) are not reliable because they contain a qualified auditor's opinion indicating that the company departed from Malaysian Private Entities Reporting Standards when it did not convert foreign currencies to the functional currency of the company at the exchange rate at the end of the reporting date.⁹² The opinion goes on to state that this departure affects the profit, cash, and retained earning values in the financial statements for the year 2018.⁹³ Commerce's practice is to generally reject surrogate financial statements that contain a qualified auditor's statement.⁹⁴ Accordingly, we preliminarily find that the Jid Fu Statements are inferior to the other Malaysian financial statements.

In contrast, the record contains the financial statements of one Romanian company, SC Sigstrat S.A. (Sigstrat), submitted by Chengen.⁹⁵ However, only 50 percent of Sigstrat's revenue was from plywood products, while 47.3 percent of its revenue was from the sale of molded products (seats, backrests, chairs, and tables).⁹⁶ Consequently, we find that the record contains superior quality and quantity of financial statements from Malaysia when compared to the single statement from Romania, for the reasons stated above.

With respect to direct materials, we note that Chengen has argued that the import volumes of birch and poplar logs into Malaysia do not represent commercial quantities and are therefore not reliable.⁹⁷ Chengen argues that the 75 cubic meters (M³) of birch imported into Malaysia during the POR, and 59 M³ of poplar logs, are not commercial quantities considering the other import quantities on the record and the quantity consumed by the respondent. However, based on the densities of poplar and birch species reported by Chengen,⁹⁸ the Malaysian import quantities amount to more than 50,250 kg and 25,075 kg of birch and poplar, respectively, which are not insignificant volumes. More importantly, Chengen has not claimed that the SVs resulting from these quantities are aberrational or otherwise unrepresentative of the market price of logs in Malaysia. Accordingly, we preliminarily find that the relatively low import quantities of birch and poplar into Malaysia alone do not impugn the accuracy of the log SVs derived from the Malaysian import data. In light of our strong preference for valuing all SVs in the primary SC,

⁹⁰ See Focus Lumber Statements at 11 (91 percent of sales were plywood); Fu Yee Statements at Note 5 (99 percent of sales were plywood); Megamas Statements, at Note 14 (98.6 percent of sales were plywood); and Ta Ann Statements at Note 18 (79.8 percent of sales were plywood).

⁹¹ *Id.*

⁹² See Jid Fu Statements at Auditor's Opinion and Note 8.

⁹³ *Id.*

⁹⁴ See, *e.g.*, *Golden Dragon Precise Copper Tube Group, Inc. v. United States*, Slip Op. 16-80 at 9-10 (CIT 2016).

⁹⁵ See Chengen SV Comments at Exhibit 3.

⁹⁶ *Id.* at n.10 and section 1.1.2 of the Annual Report.

⁹⁷ See Chengen Rebuttal SV Comments at 2.

⁹⁸ See Chengen December 2, 2019 SDQR at Exhibit 19.

we preliminarily find that the Malaysian data quality and availability is superior to that of Romania.

For the reasons stated above, Commerce preliminarily determines, pursuant to section 773(c)(4) of the Act, that it is appropriate to use Malaysia as the primary SC because Malaysia: (1) is at the same level of economic development as China; (2) is a significant producer of merchandise comparable to the subject merchandise; (3) contains the best available information on the record for valuing FOPs; and (4) is a source of complete SV data on the record (thereby satisfying our strong preference for valuing all SVs in the primary SC).⁹⁹ Therefore, Commerce has calculated NVs using Malaysian data to value the respondent's FOPs. A detailed explanation of the SVs used is provided below in the "Normal Value" section of this notice and in the Prelim SV Memo.¹⁰⁰

Intermediate Input Methodology

In the *LTFV Final* of this proceeding, Commerce applied the "intermediate input" methodology to calculate NV for Chengen; as a result, we valued Chengen's veneer consumption rather than the logs consumed to produce the veneers.¹⁰¹ That determination was largely driven by certain observations at verification that conflicted with our understanding of the facts prior to verification.¹⁰² Specifically, we noted that "Chengen was unable to provide supplier invoices for its purchases of poplar log" and that "poplar log suppliers do not provide an invoice for the sales of poplar log."¹⁰³ We also noted that "although we were able to verify Chengen's reported poplar log consumption against its own records, we were unable to cross-check Chengen's reported consumption of poplar against any third-party sources (e.g., supplier invoices)."¹⁰⁴ With respect to Chengen's calculation of its log consumption, we learned for the first time at verification that Chengen relied upon a complex formula and conversion table to calculate the volume of the logs provided by its suppliers and that its calculation relied upon a measurement at the narrow end of the log.¹⁰⁵ When applying the intermediate input methodology for the *LTFV Final*, we noted our concern that the formula Chengen used only relied on the narrow end of the log and that the total volume of logs purchased and reported in Chengen's records was calculated by Chengen itself.¹⁰⁶

In this review, Chengen explained in its initial questionnaire responses how its purchases of logs were transacted and invoiced, and how the log volumes were calculated using the Chinese

⁹⁹ See 19 CFR 351.408(c)(2); see also, e.g., *Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, and Affirmative Final Determination of Critical Circumstances, in Part*, 77 FR 63791 (October 17, 2012), and accompanying IDM at Comment 9.

¹⁰⁰ See Prelim SV Memo.

¹⁰¹ See *Certain Hardwood Plywood Products from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, and Final Affirmative Determination of Critical Circumstances, in Part*, 82 FR 53460 (November 16, 2017) (*LTFV Final*), and accompanying IDM at Comment 2.

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

National Standard.¹⁰⁷ Chengen also provided a United States Department of Agriculture (USDA) technical report discussing the various U.S. standards for calculating the volume of logs, and the European Union standard for measuring the volume of round timber, noting that a number of the various formulae rely on a measurement from the narrow end of the log.¹⁰⁸ In a supplemental questionnaire response, Chengen demonstrated how the Chinese National Standard formula accounted for the taper coefficient of the log (*i.e.*, the difference between the narrow end of a log and the wider end) and calculates a volume in excess of the volume of a simple cylinder.¹⁰⁹ Chengen also demonstrated how the formula results in the largest log volume when compared to two other formulae detailed in the USDA Technical Report, one of which was described as “one of the three cubic volume formulae most commonly used in forest mensuration research.”¹¹⁰

With respect to its material purchase records, Chengen explained that Chinese regulations stipulate that the purchaser of certain agricultural products issue tax invoices on behalf of the sellers.¹¹¹ Commerce requested a significant amount of supplemental documentation, clarification, and explanation regarding this practice, which Chengen provided in a timely manner.¹¹² Chengen also provided a sample “delivery sheet” from the POR provided by its suppliers of poplar logs, and the corresponding warehouse journal and warehouse-in slip.¹¹³

As in the underlying investigation, the petitioner argues that we should apply the intermediate input methodology in this review and value Chengen’s veneer FOPs instead of its log FOPs.¹¹⁴ However, the petitioner has not filed deficiency comments on any of Chengen’s supplemental questionnaire responses addressing these issues that were identified in the *LTFV Final*.

Commerce’s general practice for integrated producers is to value all FOPs used in each stage of production, and we have not found sufficient cause to deviate from this practice for these preliminary results.¹¹⁵ Based on Chengen’s questionnaire responses and supporting documentation, as well as the responses to Commerce’s supplemental questionnaires regarding this issue, Chengen demonstrated it is an integrated producer that begins its manufacture of plywood with the purchase of logs.¹¹⁶ Chengen reported the quantity of logs purchased and consumed during the POR and provided documentation that supported the reported figures.¹¹⁷ Because Chengen provided information addressing Commerce’s concerns in the *LTFV Final*

¹⁰⁷ See Chengen July 23, 2019 CDQR at D6-D7 and Exhibit 11.

¹⁰⁸ *Id.* at 6-7 and Exhibits 12 (USDA Forest Service General Technical Report, “A Collection of Log Rules” (USDA Technical Report)) and 13.

¹⁰⁹ See Chengen December 2, 2019 SDQR at 10-12.

¹¹⁰ *Id.* at 15-16; see also USDA Technical Report at 44.

¹¹¹ See Chengen July 23, 2019 CDQR, at D6 and Exhibit 10.

¹¹² See Chengen December 2, 2019 SDQR, at 5-9 and Exhibits 7 through 10.

¹¹³ *Id.* at 16-17 and Exhibit 12. The lack of provision of a sample delivery sheet was the subject of debate in the final results of redetermination pursuant to court remand in the case of *Linyi Chengen Import and Export Co., Ltd. v. United States*. 391 F. Supp. 3d 1283 (CIT 2019).

¹¹⁴ See Petitioner Pre-Prelim Comments.

¹¹⁵ See, e.g., *Certain Steel Nails from the People’s Republic of China: Final Results of the First Antidumping Duty Administrative Review*, 76 FR 16379 (March 23, 2011), and accompanying IDM at Comment 18.

¹¹⁶ See Chengen July 23, 2019 CDQR; and Chengen December 2, 2019 SDQR.

¹¹⁷ See Chengen December 2, 2019 SDQR at Exhibits 12, 14, 15, 24, 28, and 42.

early in this review, we preliminarily find that the record of this review supports the valuation of Chengen's FOPs using Commerce's normal NME methodology.

Moreover, because Chengen's log consumption data are in its normal books and records, these data can be verified. Accordingly, at this time, we do not find that the record supports the limited exceptions for applying the intermediate input methodology. Commerce intends to continue to evaluate its preliminary decision not to apply the intermediate input methodology, given the significance of this issue. Based on the foregoing, and provided that the conditions in China allow, Commerce intends to conduct a verification of the accuracy of Chengen's log volume calculation, its reported consumption rates, and its sales and accounting documentation, in accordance with section 782(i)(3)(B) of the Act because we find that the disagreement between interested parties with respect to such a fundamental component of our calculation, *i.e.*, whether to value the respondent's actual FOPs or intermediate input, constitutes good cause for verification.

Date of Sale

Commerce's regulations at 19 CFR 351.401(i) state as follows:

In identifying the date of sale of the subject merchandise or foreign like product, the Secretary normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business. However, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.¹¹⁸

Moreover, Commerce has a long-standing practice of finding that, where the shipment date precedes the invoice date, the shipment date better reflects the date on which the material terms of sale are established.¹¹⁹

Chengen reported the invoice date as the date of sale to its unaffiliated U.S. customer because there would be no changes to the material terms of sale after the invoices are issued.¹²⁰ Chengen also reported that in rare cases, Chengen may issue the commercial invoice several days after the date of shipment and, in those cases, it reported the date of sale based on the date of shipment, in accordance with Commerce's normal practice regarding the date of sale.¹²¹ Therefore, we have

¹¹⁸ See 19 CFR 351.401(i); see also *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from Thailand*, 69 FR 76918 (December 23, 2004), and accompanying IDM at Comment 10; and *Allied Tube and Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-1092 (CIT 2001) (upholding Commerce's rebuttable presumption that invoice date is the appropriate date of sale).

¹¹⁹ See, e.g., *Certain Polyester Staple Fiber from the Republic of Korea: Preliminary Results of the 2007/2008 Antidumping Duty Administrative Review*, 74 FR 27281, 27283 (June 9, 2009), unchanged in *Certain Polyester Staple Fiber from the Republic of Korea: Final Results of the 2007-2008 Antidumping Duty Administrative Review*, 74 FR 65517 (December 10, 2009).

¹²⁰ See Chengen July 2, 2109 AQR at 14.

¹²¹ *Id.*

preliminarily used the earlier of the invoice date or shipment date as the date of sale for Chengen's U.S. sales, in accordance with our practice.

Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c), in order to determine whether Chengen's U.S. sales of subject merchandise from China to the United States were made at less than NV, we compared net U.S. sales prices to NV, as described in the "U.S. Price" and "Normal Value" sections below.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) or constructed export prices (CEPs) (the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, Commerce examines whether to compare weighted-average NVs to the EPs/CEPs of individual transactions (the average-to-transaction (A-T) method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce's examination of this question in the context of administrative reviews, Commerce finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in AD investigations.¹²² In previous investigations and administrative reviews, Commerce applied a "differential pricing" analysis for determining whether the application of A-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹²³ Commerce finds the differential pricing analysis used in those recent investigations and administrative reviews may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.¹²⁴ 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 A-A method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results of review requires a finding of a pattern of prices (*i.e.*, EPs or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential

¹²² See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012), and accompanying IDM at Comment 1.

¹²³ See *Hardwood and Decorative Plywood from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (September 23, 2013), and accompanying IDM at Comment 3; see also *Certain Lined Paper Products from the People's Republic of China: Preliminary Results and Rescission in Part of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 34640 (June 10, 2013), unchanged in *Certain Lined Paper Products from the People's Republic of China: Notice of Final Results and Partial Rescission of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 65274 (October 31, 2013).

¹²⁴ See, *e.g.*, *Activated Carbon from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 26748 (May 8, 2013), unchanged in *Certain Activated Carbon from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 70533 (November 26, 2013), and accompanying IDM at Comment 4.

pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer codes for Chengen. Regions are defined using the reported destination codes (*i.e.* zip codes) for Chengen and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that 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* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region or in a time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and the sales in the test group were found to have passed 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 comparison method to all sales as an alternative to the average-to-average comparison 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 comparison method to those sales identified as passing the Cohen’s *d* test as an alternative to the A-A method, and application of the A-A method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the A-A method.

If both tests in the first stage (*i.e.*, the Cohen’s *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines

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

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

B. Results of the Differential Pricing Analysis

Based on the results of the differential pricing analysis, we find that 82.10 percent of Chengen's U.S. sales pass the Cohen's *d* test, thereby confirming the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the A-to-A method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated using the A-A method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the A-T method to all U.S. sales. Accordingly, for these preliminary results, Commerce is applying the A-T method for all U.S. sales to calculate the weighted-average dumping margin for Chengen.¹²⁵

U.S. Price

Export Price

In accordance with section 772(a) of the Act, "the term 'export price' means the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c)." Commerce used EP methodology for Chengen's U.S. sales because all sales were made prior to importation and CEP methodology was not otherwise warranted.¹²⁶ Commerce calculated the EP based on the prices at which merchandise under consideration was sold to unaffiliated purchasers in the United States.

¹²⁵ See Memorandum, "Administrative Review of Certain Hardwood Plywood Products from the People's Republic of China: Preliminary Analysis Memorandum for Linyi Chengen Import and Export Co., Ltd.," dated January 31, 2020 (Chengen Prelim Analysis Memo) at "V. Differential Pricing Analysis."

¹²⁶ See, e.g., Chengen July 23, 2019 CDQR at C37.

For Chengen’s EP sales, Commerce made deductions, as appropriate, from the reported U.S. price for movement expenses (*i.e.*, domestic and foreign inland freight, brokerage and handling, and international movement expenses). Commerce based movement expenses on surrogate values, as discussed further under the “Movement Expenses” section below.

Value-Added Tax

Commerce’s recent practice in NME cases is to adjust EP (or the CEP) for the amount of any unrefunded (herein irrecoverable) value-added tax (VAT) in certain NMEs, in accordance with section 772(c)(2)(B) of the Act. In changing the practice, Commerce explained that, when an NME government imposes an export tax, duty, or other charges 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.¹²⁷ Where the irrecoverable VAT is a fixed percentage of EP or CEP, Commerce explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. EP or CEP downward by this same percentage.

VAT is an indirect, *ad valorem* consumption tax imposed on the purchase (sale) of goods. It is levied on the purchase (sale) price of the good, *i.e.*, it is paid by the buyer and collected by the seller. For example, if the purchase price is \$100 and the VAT rate is 15 percent, the buyer pays \$115 to the seller, \$100 for the good and \$15 in VAT. VAT is typically imposed at every stage of production. Thus, under a typical VAT system, firms: (1) pay VAT on their purchases of production inputs and raw materials (“input VAT”) as well as (2) collect VAT on sales of their output (“output VAT”).

Firms calculate input VAT and output VAT for tax purposes on a company-wide (not transaction-specific) basis, *i.e.*, in the case of input VAT, on the basis of all input purchases regardless of whether used in the production of goods for export or domestic consumption, and in the case of output VAT, on the basis of all sales to all markets, foreign and domestic. Thus, a firm might pay the equivalent of \$60 million in total input VAT across all input purchases and collect \$100 million in total output VAT across all sales. In this situation, however, the firm would remit to the government only \$40 million of the \$100 million in output VAT collected on its sales because of a \$60 million credit for input VAT paid that the firm can claim against output VAT. As a result, the firm bears no “VAT burden (cost)”: the firm through the credit is refunded or recovers all of the \$60 million in input VAT it paid, and the \$40 million remittance to the government is simply a transfer to the government of VAT paid by (collected from) the buyer with the firm acting only as an intermediary. Thus, the cost of output VAT falls on the buyer or the good, not on the firm.

This would describe the situation under Chinese law except that producers in China, in most cases, do not recover (*i.e.*, are not refunded) the total input VAT they paid. Instead, Chinese tax law requires a reduction in or offset to the input VAT that can be credited against output VAT.

¹²⁷ See *Methodological Change for Implementation of Section 772(c)(2)(B) of the Tariff Act of 1930, as Amended, In Certain Non-Market Economy Antidumping Proceedings*, 77 FR 36481, 36483 (June 19, 2012) (*Methodological Change*) (citing section 772(c)(2)(B) of the Act).

The formula for this reduction/offset is provided in Article 5 of the 2012 Chinese government tax regulation, Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services (2012 VAT Circular):¹²⁸

$$\text{Reduction/Offset} = (P - c) \times (T1 - T2),$$

where,

P = (VAT-free) free-on-board (FOB) value of export sales;

c = value of bonded (duty- and VAT-free) imports of inputs used in the production of goods for export;

T1 = VAT rate; and,

T2 = refund rate specific to the export good.

Using the example above, if P = \$200 million, c = 0, T1 = 17% and T2 = 10%, then the reduction/offset = (\$200 million - \$0) x (17% - 10%) = \$200 million x 7% = \$14 million. Chinese law then requires that the firm in this example calculate creditable input VAT by subtracting the \$14 million from total input VAT, as specified in Article 5.1(1) of the 2012 VAT Circular:

$$\text{Creditable input VAT} = \text{Total input VAT} - \text{Reduction/Offset}$$

Using again the example above, the firm can credit only \$60 million – \$14 million = \$46 million of the \$60 million in input VAT against output VAT. Since the \$14 million is not creditable (legally recoverable), it is not refunded to the firm. Thus, the firm incurs a cost equal to \$14 million, which is calculated on the basis of FOB export value at the *ad valorem* rate of T1 – T2. This cost therefore functions as an “export tax, duty, or other charge” because the firm does not incur it but for exportation of the subject merchandise, and under Chinese law must be recorded as a cost of exported goods. It is for this “export tax, duty, or other charge” that Commerce makes a downward adjustment to U.S. price under section 772(c) of the Act.

It is important to note that under Chinese law, the reduction/offset described above is defined in terms of, and applies to, total (company-wide) input VAT across purchases of all inputs, whether used in the production of goods for export or domestic consumption. The reduction/offset does not distinguish the VAT treatment of export sales from the VAT treatment of domestic sales from an input VAT recovery standpoint for the simple reason that such treatment under Chinese law applies to the company as a whole, not specific markets or sales. At the same time, however, the reduction/offset is calculated on the basis of the FOB value of exported goods, so it can be thought of as a tax on the company (*i.e.*, a reduction in the input VAT credit) that the company would not incur but for the export sales it makes, a tax fully allocable to export sales because the firm under Chinese law must book it as a cost of exported goods.

The VAT treatment under Chinese law of exports of goods described above concerns only export sales that are not subject to output VAT, the situation where the firm collects no VAT from the buyer, which applies to most exports from China. However, the 2012 VAT Circular provides for a limited exception in which export sales of certain goods are, under Chinese law, deemed

¹²⁸ See Chengen July 23, 2019 CDQR at Exhibit 23.

domestic sales for tax purposes and are thus subject to output VAT at the full rate. The formulas discussed above from Article 5 of the 2012 VAT Circular do not apply to firms that export these goods, and there is therefore no reduction in or offset to their creditable input VAT. For these firms creditable input VAT = total input VAT, *i.e.*, these firms recover all of their input VAT. At the same time, export sales of these firms are subject to an explicit output VAT at the full rate, T1. Commerce must therefore deduct this tax from U.S. price under section 772(c) of the Act to ensure tax-neutral dumping margin calculations.

Chengen reported that from June 23, 2017, to April 30, 2018, the input VAT rate was 17 percent and the refund rate was nine percent, resulting in an irrecoverable VAT rate of eight percent; from May 1, 2018, to October 31, 2018, the input VAT rate was 16 percent and the refund rate was nine percent, resulting in an irrecoverable VAT rate of seven percent; and from November 1, 2018, to December 31, 2018, the input VAT rate was 16 percent and the refund rate was 13 percent, resulting in an irrecoverable VAT rate of three percent.¹²⁹ However, Chengen stated that, because it is a trading company and its VAT refunds were based on purchase prices from its affiliated producer, it reported its irrecoverable VAT denominated in renminbi (RMB).¹³⁰ Because this review is conducted pursuant to the NME methodology and it is not our practice to accept RMB-denominated values using such methodology, we recalculated Chengen's irrecoverable VAT expense using the irrecoverable VAT rates reported by Chengen, as applied to the FOB price of its sales. We note that this is consistent with Commerce's policy and the intent of the statute, that dumping comparisons be tax neutral.¹³¹

Normal Value

Section 773(c)(1) of the Act provides that Commerce shall determine NV using an FOP methodology if the merchandise is exported from an NME country 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 in an NME case on FOPs because the presence of government controls on various aspects of NME countries renders price comparisons and the calculation of production costs unsuitable under Commerce's normal methodologies. Under section 773(c)(3) of the Act, FOPs include, but are not limited to: (1) hours of labor required; (2) quantities of raw materials employed; (3) amounts of energy and other utilities consumed; and (4) representative capital costs. In accordance with section 773(c) of the Act and 19 CFR 351.408(c)(1), we calculated NV by multiplying the reported per-unit FOPs consumption rates by publicly-available SVs.¹³²

¹²⁹ See Chengen July 23, 2019 CDQR at C40.

¹³⁰ *Id.*

¹³¹ See *Methodological Change* (citing *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27369 (May 19, 1997) and SAA at 827); see also *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Preliminary Results of Antidumping Administrative Review; 2011-2012*, 78 FR 78333 (December 26, 2013), and accompanying PDM at Issue 9, unchanged in *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 37715 (July 2, 2014).

¹³² See Prelim SV Memo.

Factor Valuation Methodology

In accordance with section 773(c) of the Act, Commerce calculated NV based on FOP data reported by Chengen. Commerce used Malaysian import data and other publicly-available Malaysian data in order to calculate SVs for Chengen's FOPs. To calculate NV, Commerce multiplied Chengen's reported per-unit FOP consumption rates by publicly-available SVs. When selecting SVs, Commerce considered, among other factors, whether the SV data on the record were publicly available, broad-market averages, contemporaneous with the period under consideration or closest in time to the period, product-specific, and tax-exclusive.¹³³

As appropriate, Commerce adjusted input prices by including freight costs to make them delivered values. 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.¹³⁴ An overview of the SVs used to calculate weighted-average dumping margin for Chengen is below. A detailed description of all SVs used to calculate the weighted-average dumping margin for Chengen can be found in the Prelim SV Memo.¹³⁵

Direct and Packing Materials

The record shows that GTA import statistics from the primary SC, Malaysia, are generally contemporaneous with the POR, publicly available, product-specific, tax-exclusive, and represent a broad market average.¹³⁶ Thus, we based SVs for Chengen's direct materials, packing materials, and by-products¹³⁷ on these import values and, where appropriate, valued other items, such as certain movement expenses, using other publicly-available data on the record.¹³⁸

We disregarded certain import values when calculating SVs. We have continued to apply Commerce's long-standing practice of disregarding import prices that we have reason to believe or suspect are subsidized or dumped.¹³⁹ In this regard, Commerce previously found that it is appropriate to disregard prices of imports from India, Indonesia, South Korea, and Thailand because it determined that these countries maintain broadly available, non-industry specific

¹³³ 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); see also *Qingdao Sea-Line*, 766 F.3d at 1386.

¹³⁴ See *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997).

¹³⁵ See Prelim SV Memo.

¹³⁶ *Id.*

¹³⁷ We capped the value of Chengen's by-product SV at the average value per kg of the wood logs consumed to produce the by-product. See Prelim SV Memo at Attachment 4.

¹³⁸ See Prelim SV Memo, at Attachment 1 and 8.

¹³⁹ See Section 773(c)(5) of the Act (permitting Commerce to disregard price or cost values without further investigation if it has determined that certain subsidies existed with respect to those values); see also Omnibus Trade and Competitiveness Act of 1988, Conf. Report to Accompany H.R. 3, H.R. Rep. No. 576, 100th Cong., 2nd Sess. (1988) at 590.

export subsidies.¹⁴⁰ Based on the existence of these subsidy programs that were generally available to all exporters and producers in these countries at the time of the POR, Commerce finds that it is reasonable to infer that all exporters in India, Indonesia, South Korea, and Thailand may have benefitted from these subsidies. Therefore, we have not used the prices of Malaysian imports of goods from India, Indonesia, South Korea, and Thailand in calculating the import-based SVs. Additionally, in selecting import data for SVs, we disregarded prices from NME countries.¹⁴¹ Finally, we excluded from our calculation of the average import value any imports that were labeled as originating from an “unspecified” country, because we could not be certain that they were not from either an NME country or a country with generally available export subsidies.¹⁴²

We valued water (used to make the intermediate input, glue) using rates from the Ranhill Water Services, a Malaysian water service provider.¹⁴³ We did not inflate or deflate the rates because nothing on the record suggests these rates were not in effect during the POR.¹⁴⁴

Utilities

We valued electricity using rates from the Malaysian Investment Development Authority.¹⁴⁵ We did not inflate or deflate the rates because nothing on the record suggests these rates were not in effect during the POR.¹⁴⁶ We valued natural gas using POR data from GTA and steam using a conversion methodology starting with the GTA SV for natural gas developed in *Steel Wheels from China*.¹⁴⁷

¹⁴⁰ See, e.g., *Carbazole Violet Pigment 23 from India: Final Results of the Expedited Five-year (Sunset) Review of the Countervailing Duty Order*, 75 FR 13257 (March 19, 2010), and accompanying IDM at 4-5; *Certain Cut-to-Length Carbon-Quality Steel Plate from Indonesia: Final Results of Expedited Sunset Review*, 70 FR 45692 (August 8, 2005), and accompanying IDM at 4; *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 74 FR 2512 (January 15, 2009), and accompanying IDM at 17, 19-20; and *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products from Thailand*, 66 FR 50410 (October 3, 2001), and accompanying IDM at 23.

¹⁴¹ See, e.g., *Certain Kitchen Appliance Shelving and Racks from the People’s Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 74 FR 9591, 9600 (March 5, 2009), unchanged in *Certain Kitchen Appliance Shelving and Racks from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 74 FR 36656 (July 24, 2009); and *Certain Kitchen Appliance Shelving and Racks from the People’s Republic of China: Amended Final Determination of Sales at Less Than Fair Value and Notice of Antidumping Duty Order*, 74 FR 46971 (September 14, 2009).

¹⁴² *Id.*

¹⁴³ See Petitioner SV Comments at 2 and Exhibit M-8.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* at 2 and Exhibit M-4.

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at Exhibit M-5 (Memorandum, “Antidumping Duty Investigation of Certain Steel Wheels from the People’s Republic of China: Preliminary Determination Surrogate Value Memorandum,” dated October 26, 2011); see also *Certain Steel Wheels From the People’s Republic of China: Notice of Preliminary Determination of Sales at Less Than Fair Value, Partial Affirmative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination*, 76 FR 67703, 67714 (November 2, 2011) (*Steel Wheels from China*), unchanged in *Certain Steel Wheels from the People’s Republic of China: Notice of Final Determination of Sales at Less Than Fair Value and Partial Affirmative Final Determination of Critical Circumstances*, 77 FR 17021 (March 23, 2012), and accompanying IDM.

Labor

We valued Chengen's labor using contemporaneous monthly Malaysian labor data specific to the manufacturing of veneer sheets and plywood from the "Monthly Manufacturing Statistics" for July 2018 and January 2019.¹⁴⁸ We did not inflate or deflate this wage rate because it was in effect during the POR.

Movement Expenses

We valued inland freight expenses using freight charges for transporting cargo domestically within Malaysia as published in the World Bank's *Doing Business in Malaysia 2019*.¹⁴⁹ We did not inflate or deflate the rates because they were in effect during the POR.

We valued brokerage and handling expenses using charges for exporting a standardized cargo of goods from Malaysia as published in the World Bank's *Doing Business in Malaysia 2019* edition.¹⁵⁰ We did not inflate or deflate the rates because they were in effect during the POR.

Overhead and Financial Expenses

Pursuant to 19 CFR 351.408(c)(4), Commerce values overhead, selling, general and administrative (SG&A) expenses, and profit using publicly-available information gathered from producers of identical or comparable merchandise in the surrogate country. Commerce's preference is to derive surrogate overhead expenses, SG&A expenses, and profit using financial statements covering a period that is contemporaneous with the POR, that show a profit, from companies with a production experience similar to the respondents' production experience, and that are not distorted or otherwise unreliable, such as financial statements that indicate the company received subsidies.¹⁵¹

As noted previously, we preliminarily find that the Focus Lumber Statements, Fu Yee Statements, Megamas Statements, and Ta Ann Statements represent the superior selection by which to value Chengen's surrogate financial ratios in this review. Therefore, we have preliminarily used these four financial statements to value factory overhead, SG&A expenses, and profit.¹⁵²

Adjustments Under Section 777A(f) of the Act

In applying section 777A(f) of the Act in this administrative review, we examined: (1) whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class

¹⁴⁸ See Chengen Rebuttal SV Comments at Exhibit 4.

¹⁴⁹ See Petitioner SV Comments at Exhibit 9.

¹⁵⁰ *Id.* at Exhibit 8.

¹⁵¹ See *Hand Trucks and Certain Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*; 2010-2011, 78 FR 28801 (May 16, 2013), and accompanying IDM at Comment 2; *Certain Kitchen Appliance Shelving and Racks from the People's Republic of China; 2010-2011; Final Results of Antidumping Duty Administrative Review*, 78 FR 5414 (January 25, 2013), and accompanying IDM at Comment 1.

¹⁵² *Id.*

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.¹⁵³ For a subsidy meeting these criteria, the statute requires Commerce to reduce the AD duties by the estimated amount of the increase in the weighted-average dumping margin subject to a specified cap.¹⁵⁴ 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.¹⁵⁵

For purposes of our analysis under sections 777A(f)(1)(A) and (f)(1)(C) of the Act, Commerce requested firm-specific information from Chengen.¹⁵⁶ The information sought included information regarding whether countervailed subsidies were received during the relevant period, information on costs, and information regarding the respondents' pricing policies and practices. Additionally, the respondent was required to provide documentary support for the information provided. Chengen submitted a response to Commerce's company-specific domestic subsidies questionnaire.¹⁵⁷ The response included information concerning countervailable subsidies received during the relevant period, as well as information regarding the respondent's costs and pricing policies and practices.

Analysis

Although Chengen is not a mandatory respondent in the companion countervailing duty (CVD) administrative review,¹⁵⁸ it reported that countervailable subsidies for the provision of cut timber, electricity, formaldehyde, and urea for less than adequate remuneration (LTAR) may impact its manufacturing costs.¹⁵⁹ Chengen also provided monthly POR costs for its purchases of cut timber, electricity, formaldehyde, and urea.¹⁶⁰

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. Chengen provided information regarding its monthly costs for the POR

¹⁵³ See sections 777A(f)(1)(A)-(C) of the Act.

¹⁵⁴ *Id.*

¹⁵⁵ See *Cast Iron Soil Pipe Fittings from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Final Determination of Critical Circumstances, in Part*, 83 FR 33205 (July 17, 2018), and accompanying IDM at Comment 15.

¹⁵⁶ See Commerce's Letter, "Administrative Review of Certain Hardwood Plywood Products from the People's Republic of China: Domestic Subsidies Questionnaire," (August 6, 2019).

¹⁵⁷ See Chengen Domestic Subsidies Response at 5-6.

¹⁵⁸ See *Certain Hardwood Plywood Products from the People's Republic of China: Partial Rescission of 2017-2018 Countervailing Duty Administrative Review*, 84 FR 44853 (August 27, 2019).

¹⁵⁹ See Chengen Domestic Subsidies Response at 9.

¹⁶⁰ *Id.* at Exhibit 1 and 2.

associated with its purchases of cut timber, electricity, formaldehyde, and urea.¹⁶¹ However, Chengen only reported that the LTAR programs for these materials “may impact {Chengen’s affiliated producer’s} manufacturing cost during the POR,” but did not report whether a countervailable subsidy had been provided.¹⁶² Accordingly, as discussed further below, Commerce preliminarily finds that the requirement of section 777A(f)(1)(A) of the Act has not been met.

Section 777A(f)(1)(B) of the Act requires Commerce to determine whether such countervailable subsidies have been demonstrated to have reduced the average price of imports of the class or kind of merchandise during the relevant period. To make this determination, we examined International Trade Commission import data for the POR.¹⁶³ Based on this information, Commerce preliminarily finds that import prices of the class or kind of merchandise at issue during the relevant period decreased.¹⁶⁴ Accordingly, we preliminarily find that the requirement under section 777A(f)(1)(B) of the Act has been met.

Additionally, in accordance with section 777A(f)(1)(C) of the Act, Commerce examined whether Chengen demonstrated: (1) a subsidies-to-cost link, *i.e.*, a subsidy effect on the cost of manufacturing (COM) 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 the Domestic Subsidies Questionnaire Response, Chengen reported that it consumed cut timber, electricity, formaldehyde, and urea in the production of subject merchandise.¹⁶⁵ However, Chengen only stated that subsidies covering these materials “may impact” its costs, not whether they did in fact impact its costs during the POR nor the number of times such changes occurred.¹⁶⁶ Accordingly, Commerce preliminarily concludes that Chengen failed to identify a subsidies-to-cost link. In response to a request for how many cost changes for these items resulted in prices changes during the relevant time period, Chengen merely stated that the “cost of manufacturing. . . changed constantly in the normal course of operations, and when the general manager considers the total change reached a certain degree. . . the Company updates prices to its sales staff for price negotiations with customers for new orders.”¹⁶⁷ Chengen failed to provide the number of price changes effected by cost changes, and did not provide the data for Commerce to determine whether a total cost change reached the “certain degree” threshold during the relevant period. In response to a request to provide the most recent example when Chengen lowered its price of subject merchandise in response to a decrease in an input cost of COM, Chengen simply stated that if there is a “decrease in input costs or the cost of manufacture, management holds a meeting and discusses the possible price reductions in response to these market changes.”¹⁶⁸ Accordingly, Commerce preliminarily concludes that Chengen also failed to establish a cost-to-price link.

¹⁶¹ *Id.*

¹⁶² *Id.* at 5.

¹⁶³ See Memorandum, “International Trade Commission Import Data,” dated January 31, 2020.

¹⁶⁴ *Id.*

¹⁶⁵ See Chengen Domestic Subsidies Response at 6-7 and Exhibits 1 and 2.

¹⁶⁶ *Id.* at 5.

¹⁶⁷ *Id.* at 7.

¹⁶⁸ *Id.* at 9.

Based on the above, Commerce finds that Chengen did not provide adequate information to establish a link between subsidies (cut timber, electricity, formaldehyde, and urea for LTAR), costs, and prices. Therefore, although it appears that there was a general decrease in the U.S. average import price during the relevant period, we preliminarily find that the requirements under section 777A(f)(1)(A) and (C) of the Act have not been met, and hence we did not make an adjustment under section 777A(f) of the Act.

Export Subsidy Adjustment

Pursuant to section 772(c)(1)(C) of the Act, Commerce increases the U.S. price by the amount of any CVD imposed to offset an export subsidy. We are adjusting Chengen's U.S. net price by increasing it by the export subsidy rate calculated in the most recently completed CVD segment of this proceeding.¹⁶⁹ However, because this is the first administrative review and the POR includes a gap period between the expiration of provisional measures and the resumption of suspension of liquidation during which no countervailing duties were collected, we did not adjust Chengen's U.S. net prices by the amount of any export subsidies for that period.¹⁷⁰

Separate Rate Companies

For the non-individually examined companies eligible for a separate rate, their weighted-average dumping margin is based on the weighted-average dumping margin of Chengen. Therefore, the non-individually examined exporters granted separate rates status will also not be granted an adjustment to account for domestic subsidies (based on the domestic subsidy pass-through analysis determined for Chengen as described above). Further, they will be granted an export subsidy offset pursuant to section 772(c)(1)(C) of the Act (via the margin calculated for Chengen).

Currency Conversion

Where appropriate, Commerce 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.

¹⁶⁹ The most recently completed segment of this proceeding was the *LTFV Final*. In the *LTFV Final*, we identified an export subsidy adjustment of 11.81 percent. See *LTFV Final*, 82 FR at 53469. Accordingly, we increased Chengen's U.S. net price by 11.81 percent for the relevant periods in the margin program; see also Chengen Prelim Analysis Memo.

¹⁷⁰ See Chengen Prelim Analysis Memo.

V. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

Agree

Disagree

1/31/2020

X 

Signed by: JEFFREY KESSLER
Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance