March 17, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Polyester Staple Fiber from Taiwan: Decision Memorandum for Preliminary Results of Antidumping Duty Administrative Review; 2013-2014

SUMMARY

The Department of Commerce (the Department) is conducting this administrative review of the antidumping duty order on polyester staple fiber (PSF) from Taiwan.1 The review covers two producers/exporters of the subject merchandise, Far Eastern New Century Corporation (FENC) and Nan Ya Plastics Corporation (Nan Ya). The period of review (POR) is May 1, 2013, through April 30, 2014. We preliminarily find that FENC has not sold subject merchandise at less than normal value (NV) and that Nan Ya had no shipments during the POR. Interested parties are invited to comment on these preliminary results.

BACKGROUND

On May 29, 2014, pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b)(1), Auriga Polymers, Inc., a domestic interested party, timely requested an administrative review of the antidumping duty order on PSF from Taiwan with respect to FENC and Nan Ya.2 On June 2, 2014, FENC timely requested an administrative review with respect to its sales during the POR.3 On June 28, 2013, in accordance with 19 CFR

1 See Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Polyester Staple Fiber From the Republic of Korea and Antidumping Duty Orders: Certain Polyester Staple Fiber From the Republic of Korea and Taiwan, 65 FR 33807 (May 25, 2000) (Order).
3 See Letter to the Secretary of Commerce from FENC dated June 2, 2014.
351.221(c)(1)(i), we published in the Federal Register a notice of initiation of administrative review of the antidumping duty order on PSF from Taiwan.\(^4\)

On July 23, 2014, we issued antidumping questionnaires to FENC and Nan Ya. We did not conduct respondent selection because we had sufficient resources to individually examine both companies for which we received requests for review. On January 15, 2015, we extended the time period for issuing the preliminary results of this review by 45 days, to March 17, 2015.\(^5\)

**SCOPE OF THE ORDER**

The product covered by the Order is PSF. PSF is defined as synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters measuring 3.3 decitex (3 denier, inclusive) or more in diameter. This merchandise is cut to lengths varying from one inch (25 mm) to five inches (127 mm). The merchandise subject to the order may be coated, usually with a silicon or other finish, or not coated. PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture. Merchandise of less than 3.3 decitex (less than 3 denier) currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 5503.20.00.20 is specifically excluded from the order. Also specifically excluded from the order are PSF of 10 to 18 denier that are cut to lengths of 6 to 8 inches (fibers used in the manufacture of carpeting). In addition, low-melt PSF is excluded from the order. Low-melt PSF is defined as a bi-component fiber with an outer sheath that melts at a significantly lower temperature than its inner core.

The merchandise subject to the order is currently classifiable in the HTSUS at subheadings 5503.20.00.40, 5503.20.00.45, 5503.20.00.60, and 5503.20.00.65. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise subject to the order is dispositive.

**PRELIMINARY DETERMINATION OF NO SHIPMENTS**

The Department received a timely submission from Nan Ya reporting to the Department that it did not sell or export the subject merchandise to the United States during the POR.\(^6\) We transmitted a “No-Shipment Inquiry” to U.S. Customs and Border Protection (CBP) with respect to Nan Ya.\(^7\) Pursuant to this inquiry, we received no notification from CBP of entries of subject merchandise from Nan Ya. Accordingly, based on record evidence, we preliminarily determine that Nan Ya had no shipments of subject merchandise during the POR.\(^8\)

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\(^6\) See Nan Ya’s letter to the Secretary of Commerce regarding “Antidumping Duty Administrative Review on Polyester Staple Fiber from Taiwan for the Period from May 1, 2013 to April 30, 2014” dated August 22, 2014.

\(^7\) See CBP message 4356302 dated December 22, 2014.

\(^8\) CBP responds only to the Department’s inquiry when there are records of shipments from the company in question. See, i.e., Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Flat Products From Brazil: Notice of Rescission of Antidumping Duty Administrative Review, 75 FR 65453, 65454 (October 25, 2010).
Further, consistent with our practice, we find that it is not appropriate to rescind the review with respect to Nan Ya. In our May 6, 2003, “automatic assessment” clarification, we explained that, where respondents in an administrative review demonstrated that they had no knowledge of sales through resellers to the United States, we would instruct CBP to liquidate such entries at the all-others rate applicable to the proceeding. Because “as entered” liquidation instructions do not alleviate the concerns which the Assessment Policy Notice was intended to address, instead of rescinding the review with respect to Nan Ya, we find it appropriate to complete the review and issue liquidation instructions to CBP concerning entries for Nan Ya following the final results of the review. If we continue to find that Nan Ya had no shipments of subject merchandise in the final results, we will instruct CBP to liquidate any existing entries of merchandise produced by Nan Ya but exported by other parties at the all-others rate.

DISCUSSION OF THE METHODOLOGY

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d) (2012), to determine whether FENC’s sales of the subject merchandise from Taiwan to the United States were made at less than NV, the Department compared the export price (EP) to the NV as described in the “Export Price” and “Normal Value” sections of this memorandum.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1) (2012), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or constructed export prices) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department’s examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations. In a recent investigation, pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act, the Department applied a “differential pricing” analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation. The Department finds the differential pricing analysis used in that recent investigation may be instructive for purposes of examining whether to apply an alternative

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10 See, e.g., Magnesium Metal From the Russian Federation: Preliminary Results of Antidumping Duty Administrative Review, 75 FR 26922, 26923 (May 13, 2010), unchanged in Magnesium Metal From the Russian Federation: Final Results of Antidumping Duty Administrative Review, 75 FR 56989 (September 17, 2010).
11 See Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews: 2010–2011, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.
12 See, e.g., Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013), and the accompanying Issues and Decision Memorandum at Comment 3.
comparison method in this administrative review. The Department will continue to develop its
approach in this area based on comments received in this and other proceedings, as well as the
Department’s additional experience with addressing the potential masking of dumping that can
occur when the Department uses the average-to-average method in calculating weighted-average
dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern
of EPs for comparable merchandise that differs significantly among purchasers, regions, or time
periods. If such a pattern is found, then the differential pricing analysis evaluates whether such
differences can be taken into account when using the average-to-average method to calculate the
weighted-average dumping margin. The differential pricing analysis used here evaluates all
purchasers, regions, and time periods to determine whether a pattern of prices that differ
significantly exists. The analysis incorporates default group definitions for purchasers, regions,
time periods, and comparable merchandise. Purchasers are based on the reported customer
names. Regions are defined using the reported destination code (i.e., U.S. state name) 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 period of review 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
(CONNUM) and any characteristics of the sales, other than purchaser, region and time period,
that the Department uses in making comparisons between EP and NV for the individual dumping
margins.

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

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

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

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

B. Results of the Differential Pricing Analysis

For FENC, based on the results of the differential pricing analysis, the Department finds that 78.79 percent of FENC’s export sales confirms the existence of a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department determines that the average-to-average method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the average-to-average method and an alternative method based on the average-to-transaction method. Accordingly, the Department has determined to use the average-to-average method to calculate the preliminary weighted-average dumping margin for FENC.13

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13 See the “Differential Pricing” section of the Memorandum to the File “Preliminary Results of the Administrative Review of Polyester Staple Fiber from Taiwan: Analysis Memorandum for Far Eastern New Century Corporation” dated concurrently with this memorandum and hereby incorporated by reference (FENC Analysis Memo) and attached margin-calculation program log and output. In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin During an Antidumping Investigation; Final Modification, 71 FR 77722 (December 27, 2006). In particular, the Department compared weighted-average EPs with weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.
Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by FENC and sold in the U.S. and home markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States. For instances in which there was neither an identical nor similar comparison product, we compared to constructed value. In the order of importance, these physical characteristics are fiber loft, specialty, type, grade, cross section, finish, and denier.

Date of Sale

Section 351.401(i) of the Department’s regulations states that the Department normally will use the date of invoice, as recorded in the producer’s or exporter’s records kept in the ordinary course of business, as the date of sale. The regulation provides further that the Department may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established. The Department has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.14

Based on record evidence, the date of invoice (the date on which the Government Uniform Invoice is issued) occurs on or about the time of shipment, while all material terms of sale are established at the time of shipment and do not change after shipment.15 Based upon these facts, and in accordance with our regulation and practice, we preliminarily determine that shipment date is the appropriate date of sale for all sales to the United States.

Export Price

For FENC’s sales to the United States, the Department calculated EP in accordance with section 772(a) of the Act because the merchandise was sold prior to importation by the exporter or producer outside the United States to the first unaffiliated purchaser in the United States. We calculated EP based on the free-on-board price to unaffiliated purchasers in the United States. Where appropriate, we made deductions, consistent with section 772(c)(2)(A) of the Act, for the following movement expenses: inland freight from the plant to the port of exportation, inland insurance in Taiwan, brokerage and handling in Taiwan, harbor construction fee, trade promotion fee, international freight, and containerization expense. No other adjustments were claimed or applied.

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14 See Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; see also Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams From Germany, 67 FR 35497 (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.

15 For more details, see FENC Analysis Memo.
Normal Value

A. Home Market Viability as Comparison Market

To determine whether there was a sufficient volume of sales of PSF in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondent’s volume of home-market sales of foreign like product to its volume of U.S. sales of the subject merchandise during the POR. Based on this comparison, we determined that FENC had a viable home market during the POR, pursuant to section 773(a)(1)(B) of the Act, because FENC’s aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable for comparison purposes.

B. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV based on sales of foreign like products at the same level of trade (LOT) as the EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent). Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing. To determine whether the home-market sales were at different stages in the marketing process than the U.S. sales, we reviewed the distribution system in each market (i.e., the chain of distribution), including selling functions, class of customer (customer category), and the level of selling expenses for each type of sale. To determine whether home-market sales are at a different LOT than U.S. sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

In this review, we obtained information from FENC regarding the marketing stages involved in making its reported home-market and U.S. sales, including a description of the selling activities FENC performed for each channel of distribution. FENC reported one channel of distribution (i.e., direct sales to distributors) and a single LOT in the U.S. market. For purposes of these preliminary results, we organized the common selling functions into four major categories: (1) sales process and marketing support; (2) freight and delivery; (3) inventory and warehousing; and (4) quality assurance/warranty services. Because the sales process and selling functions

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16 See section 773(a)(1)(B) of the Act.
17 See 19 CFR 351.412(c)(2).
18 Id.; see also Certain Orange Juice From Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (OJ from Brazil).
19 See FENC’s September 2, 2014, response to section A of the Department’s antidumping questionnaire (FENC Section A Response) at pages A-11 through A-14, FENC’s September 30, 2014, response to section C of the Department’s antidumping questionnaire at page C-18, and FENC’s December 23, 2014, section C sales database.
20 See OJ from Brazil, and accompanying Issues and Decision Memorandum at Comment 7; see also Certain Frozen Warmwater Shrimp From India: Preliminary Results and Preliminary Partial Rescission of Antidumping Duty Administrative Review, 74 FR 9991, 9996 (March 9, 2009), unchanged in Certain Frozen Warmwater Shrimp from India: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 74 FR 33409 (July 13, 2009).
FENC performed for selling to the U.S. market did not vary by individual customers, the necessary condition for finding they constitute different levels of trade was not met. Accordingly, we preliminarily determine that all of FENC’s U.S. sales constitute a single LOT.

FENC reported one channel of distribution (i.e., direct sales to end-users) and a single LOT in the home market.21 Because the sales process and selling functions FENC performed for selling to customers in the home market did not vary by individual customers, we preliminarily determine that all of FENC’s home-market sales constitute a single LOT.

We examined the selling activities performed for EP sales from FENC to the unaffiliated U.S. and home-market customers and found that FENC performed the following selling functions: freight and delivery, technical assistance, and warranty services.22 Because FENC performed the same selling functions at the same relative level of intensity for both markets, we determine that the EP LOT was similar to the home-market LOT in terms of selling activities. Accordingly, we considered the EP LOT to be similar to the home-market LOT and not at a different stage of distribution than the LOT in the home market. Therefore, we matched EP sales to sales at the same LOT in the home market and no LOT adjustment under section 773(a)(7)(A) of the Act was necessary.

C. Cost of Production

In the last administrative review of the Order, the Department disregarded certain home-market sales made by FENC at prices below the cost of production (COP).23 Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that FENC made sales of the foreign like product in its comparison market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of home market sales by FENC. Based on our analysis of FENC’s cost data, we preliminarily determine that our quarterly cost methodology is not warranted. Therefore, we applied our standard methodology of using annual costs based on the reported data, adjusted as described below.

1. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated the COP on a CONNUM-specific basis, based on the sum of FENC’s costs of materials and fabrication for the foreign like product plus amounts for general and administrative expenses, interest expenses, and the costs of all expenses incidental to preparing the foreign like product for shipment.

Except as stated below, we relied on COP data FENC submitted in its response to our cost questionnaire.

21 See FENC’s September 30, 2014, response to section B of the Department’s antidumping questionnaire at page B-22, and FENC’s December 23, 2014, section B sales database.
22 See FENC Section A Response at pages A-11 through A-14, and Exhibit A-8.
23 See Polyester Staple Fiber From Taiwan: Final Results of Antidumping Duty Administrative Review; 2012-2013, 79 FR 54265 (September 11, 2014).
2. **Test of Comparison Market Sales Prices**

On a CONNUM-specific basis, pursuant to section 773(a)(1)(B)(i) of the Act, we compared the adjusted weighted-average COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP. In particular, in determining whether to disregard home market sales made at prices below their COP, we examined whether such sales were made within an extended period of time in substantial quantities and at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with sections 773(b)(2)(B), (C), and (D) of the Act. We determined the net comparison market prices for the below-cost test by adjusting the gross unit price for all applicable movement charges, discounts, rebates, billing adjustments, direct and indirect selling expenses, and packing expenses excluding all adjustments for imputed expenses.

3. **Results of the Cost of Production Test**

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given CONNUM were at prices less than the COP, we did not disregard below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent’s home market sales of a given product were at prices less than the COP, we disregarded the below-cost sales because (1) they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act; and (2) based on our comparison of prices to the weighted average COPs, they were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act. Because we are applying our standard annual average cost methodology in these preliminary results, we also applied our standard cost-recovery test with no adjustments.

In this case, we found that, for certain specific products, more than 20 percent of FENC’s comparison-market sales were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. Therefore, in accordance with section 773(b)(1) of the Act, we disregarded these below-cost sales in our analysis as outside of the ordinary course of trade and used the remaining sales to determine NV.

D. **Calculation of Normal Value Based on Comparison Market Prices**

We calculated NV based on the price FENC reported for home market sales to unaffiliated customers which we determined were within the ordinary course of trade. We made adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act. We also made adjustments, consistent with section 773(a)(6)(B)(ii) of the Act, for inland freight expenses from the plant to the customer and expenses associated with loading the merchandise onto the truck to be shipped. Finally, we made adjustments for differences in circumstances of sale in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made these adjustments, where appropriate, by deducting direct selling expenses (i.e., imputed credit expenses) incurred on
home market sales and adding U.S. direct selling expenses (i.e., imputed credit expenses) to NV.24

**Currency Conversion**

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. These exchange rates are available on the Enforcement and Compliance’s website at [http://enforcement.trade.gov/exchange/index.html](http://enforcement.trade.gov/exchange/index.html).

**RECOMMENDATION**

We recommend applying the above methodology for these preliminary results.

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Paul Piquado
Assistant Secretary
for Enforcement and Compliance

(Date)

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24 See FENC Analysis Memo.