



RECEIVED
OCT - 6 2004
DEPT. OF COMMERCE
ITA
IMPORT ADMINISTRATION

1 October 2004

The Honorable James J. Jochum
Assistant Secretary for Import Administration
U.S. Department of Commerce
Central Records Unit, Room 1870
14th and Constitution Ave., N.W.
Washington, D.C. 20230

**Re: Certification of Factual Information to Import Administration During
Antidumping and Countervailing Duty Proceedings -- Notice of Proposed
Rulemaking and Request for Comments (69 Fed. Reg. 56738
(Sept. 22, 2004))**

Dear Mr. Jochum:

Carus Chemical Company ("Carus") is pleased to comment on the above-referenced proposed rule (the "Proposed Rule"), which would make significant and long-needed revisions to the Department's certification requirements for the submission of factual information.

Carus applauds the Department for proposing these important changes in its certification practices. As detailed in the attached comments which Carus filed in response to the Department's January 26, 2004 Notice of Inquiry, Carus has, in recent years, seen substantial abuse of the Department's existing and inadequate certification rules. Among other things, Carus has seen instances in which company officials who signed certifications have later disavowed any substantial knowledge of the supposedly certified facts. Moreover, one respondent company used the same photocopied and undated certification repeatedly over the course of two proceedings and, incredibly, used this single certification to certify different and directly conflicting versions of the facts. Clearly, the Department's current certification requirements mandate additional detail and specificity.

Carus supports the new requirements set forth in the Proposed Rule, a number of which reflect our earlier comments. Among other things, requiring that the certification be dated and that it identify the submission being certified, requiring that the signer have an informed basis for the certification, establishing continuing reporting requirements, citing possible sanctions and identifying persons who provided substantial information should improve the certification process and the Department's ability to uncover falsely certified information.

It is important to acknowledge, however, that the Proposed Rule, if adopted, is only a partial step in an urgently needed effort to ferret out fraud in trade cases. The Proposed Rule will bring more certainty to the certification process and emphasize the consequences of filing false certifications. However, it will only serve as a meaningful deterrent to fraud if it is backed up by clear and certain sanctions as consequences for those who falsely certify factual information.

Carus Chemical Company
315 Fifth Street
P.O. Box 599
Peru, IL 61354-0599
Tel (815) 223 1500
Fax (815) 224 6655



CARUS

The Honorable James J. Jochum
1 October 2004
Page 2

Current rules do not provide for such consequences. The Department has no administrative sanctions for the filing of false certifications and no established process for investigating these serious threats to the integrity of its administration of the unfair trade laws. Moreover, relying solely on criminal sanctions, such as those under 18 U.S.C. § 1001, does not provide for certain punishment for those who knowingly submit false information. In our own cases, we are informed that Federal prosecutors were unwilling to prosecute the serious and multiple violations of the Department's certifications requirements documented in our cases. We are concerned that prosecutors do not have the resources, the inclination nor the necessary understanding of the unfair trade process to pursue these kinds of cases. For example, as the Department is aware, falsely certified facts in a "test shipment" case may technically involve relatively small dollar amounts but, ultimately, may support a deposit rate that is applied to massive amounts of imports.

If the Department is to deter the certification of false information, it is clear that it must have an established process for investigating serious violations of its certification rules and the ability to impose administrative sanctions where warranted. In our earlier comments to the Department, Carus made a number of recommendations in this regard. We urge the Department to follow its work on the Proposed Rule with additional rules to establish meaningful administrative procedures and sanctions. Until these steps are taken, we are concerned that parties who brazenly certify false and misleading information will not be deterred by the additional wording of the revised certifications in the Proposed Rule.

We appreciate the opportunity to comment on this important matter.

Sincerely,

Aziz I. Asphahani
President and CEO

-and-

Inga Carus
Senior Vice President
Carus Chemical Company
315 Fifth Street
P.O. Box 599
Peru, Illinois 61354-0599
(815) 224-6548 (Telephone)
(815) 224-6697 (Facsimile)
Aziz.asphahani@caruschem.com
Inga.carus@caruschem.com



24 March 2004

Mr. James J. Jochum
Assistant Secretary for Import Administration
U.S. Department of Commerce
Central Records Unit, Room 1870
Pennsylvania Avenue and 14th Street, N.W.
Washington, D.C. 20230

**Re: Certification and Submission of False Statements to Import
Administration During Antidumping and Countervailing Duty
Proceedings (Doc. No. 031120285-3285-01)**

Dear Mr. Jochum:

Carus Chemical Company ("Carus") hereby provides comments in response to the above-referenced Notice of Inquiry (the "Notice"), which was published in the *Federal Register* on January 26, 2004.¹ Carus is a small family-owned company founded in 1915. We have 205 U.S. employees and are the only remaining U.S. producer of potassium permanganate, a chemical that has important applications, including drinking water and wastewater treatment and contaminated site clean-up.

Carus strongly believes that the Department of Commerce (the "Department") can and must do more to prevent and detect fraud in trade cases and to assure that persons who commit such fraud are appropriately sanctioned and, where warranted, prosecuted. Revising the Department's certification requirements for factual information and creating administrative procedures to investigate and sanction violators are important facets of an overall effort to prevent fraud from undermining our country's trade laws.

In our comments below, we will first summarize Carus' experience with extensive and serious fraud in new shipper and administrative reviews of the antidumping order in *Potassium Permanganate from the PRC* and will highlight the abuses of the current certification

rule that occurred in conjunction with that fraud. We will then offer specific comments and ideas on how the certification requirements can be improved.

I. Carus' Experience with Fraud in Trade Cases

Our experience has been that some Chinese enterprises simply do not take the Department's rules seriously and will do whatever they can — including making up data, forging documents and seriously misleading U.S. authorities — in an effort to evade the antidumping laws. We have seen the following appalling examples:

- Business licenses that were altered or forged in order to provide the appearance of a legitimate new shipper;
- Confidential business documents obtained without the owner's permission from an Indian company and passed off as being obtained from public Indian records;
- Production and accounting records fabricated out of whole cloth for companies that did not even produce the subject merchandise; and
- Repeated failures to disclose factors related to affiliations with U.S. customers.

Over the past four years, Carus has been participating in a series of reviews (for calendar years 1999-2002) of the PRC potassium permanganate order. In these reviews, as discussed below, Chinese parties and their U.S.-based officials have repeatedly submitted and certified false and misleading information on key factual issues.

A. 1999 Administrative Review

The administrative review for 1999 of Chinese producer Zunyi Chemical Factory involved a single test shipment to U.S. importer Wego Chemical. This shipment was *smuggled* into the United States from China in a shipping container and falsely labeled "tools and toys." Because potassium permanganate is a hazardous oxidizer, this violated numerous U.S. laws and regulations on the import and transport of hazardous materials into the United States. It also placed the container ship and its crew in considerable danger. Despite this illegal conduct,

Department rules and practice allowed the case to be continued and awarded a lower margin for Zunyi with no apparent consequences for this illegal conduct.

B. 2000 New Shipper Review

In the new shipper review for 2000, the Department conducted a 16-month review of the Chinese producer Groupstars. This included a two-week on-site verification at Groupstars' multiple sites in China. Carus raised a number of serious concerns about the veracity of the information submitted by Groupstars, including numerous problems with its accounting information in the U.S. and China. Later on, however, without commenting on the reliability of the information that was submitted by Groupstars and that apparently passed verification, the Department dismissed the review when Carus, after extensive and costly participation in the review, proved that Groupstars had submitted and certified a forged business license and had thus lacked standing to request the new shipper review in the first place.² Other than the dismissal of the review, Groupstars has apparently suffered no consequences for this outright fraud and false certification, while Carus incurred extensive legal costs.

After the dismissal of the 2000 review, even more outrageous information surfaced about Groupstars' conduct in that review. Groupstars' U.S.-based officials subsequently admitted in certified statements to the Department that they "*made up*" their key claims in the 2000 review and even lied about the actual producer. The record also shows that Groupstars falsified critical accounting documents and production records *for two separate companies, including general ledgers and financial statements*, to back up these false claims and certified to the Department that these documents and records were *bona fide*. As a result of this fraud, the Department spent some two weeks traveling to and verifying Chinese plants that had *absolutely nothing to do with Groupstars' actual 2000 production*.

C. 2001 Administrative Review

In the 2001 administrative review, Groupstars continued to make and certify false and misleading statements to the Department. For example, Groupstars submitted copies of sensitive Indian company internal documents, which they and their counsel certified were

² The same party had submitted this forged business license in a new shipper review of *Silicon Metal from the PRC*.

obtained from the public record of a trade case in India. However, the Indian company protested and informed the Department in writing that: (i) the documents had never been submitted in an Indian trade case; (ii) these documents were company confidential; and (iii) the documents were believed to be stolen. (Groupstars later claimed that this information had been assembled by an Indian consultant).

Besides certifying false statements about the source of Indian factor data, Groupstars also submitted sales and factor usage data (backed up by official accounting and production records) that turned out to be false. In certified submissions, Groupstars presented usage data that was impossible for its production process. In addition, the record of the review was filled with evidence of false and misleading financial and accounting practices and collusion with producers and claimed customers. Although the Department eventually ruled against Groupstars in the 2001 review, it did so only after affording Groupstars numerous opportunities to correct false and misleading information and only after Carus was required, at considerable expense, to demonstrate that Groupstars' technical, financial and sales information was not credible.

II. Impact of Current Certification Rules

Carus strongly believes that the Department's current certification rules and practices — in particular, the current loose certification requirements and the lack of administrative sanctions against parties that falsify required certifications — play an important role in encouraging and facilitating the fraud that we have seen in recent reviews. In our experience, the current rules convey the impression that the Department simply does not take fraud seriously. A number of specific examples illustrate this point.

In the reviews for 2000 and 2001 for Groupstars, Groupstars' factual information was repeatedly accompanied by a highly dubious certification — a photocopy of the same certification that was routinely appended by Groupstars' counsel to different factual submissions. (A copy of this certification is attached hereto as Exhibit 1.) Among other things, this certification was undated and failed to identify the submission being certified. At best, this certification suggests that Groupstars failed to take the certifications requirements seriously. At worst, this practice was a means of facilitating fraud on the Department.

The absurdity of this practice is illustrated by the fact that the *same copy* of the Groupstars' company official certification was used to certify *diametrically opposed* versions of the facts. For example, in an April 5, 2002 submission in the 2000 review (which was not certified by counsel), Groupstars stated that 20 metric tons of product were produced at a certain plant in September 2001. (See excerpts attached hereto as Exhibit 2 at page 1058.) In an October 21, 2002 submission in the 2001 review, however, Groupstars expressly disavowed this same claim. (See excerpts attached hereto as Exhibit 3 at pages 431, 435 and 436.) *Amazingly, both submissions were supported by the same undated, photocopied certification by Groupstars' company official.* (Compare Exhibit 2 at page 1056 with Exhibit 3 at page 426.) Based on such abusive practices and on Groupstars' record of admitted falsehood in the 2000 review, Carus repeatedly urged the Department in the 2001 review to require that Groupstars' officials submit separate and specific certifications for each factual submission. We were informed by the Department, however, that Groupstars' loose certification practices appeared to be consistent with the Department's certification rules and practices.

Our experience in the Groupstars' reviews also points to a serious deficiency in the form of the certifications required by the Department's current regulations. Currently, company officials only certify that they have read the submission and that, to the best of their knowledge, the submission is complete and accurate. *See* 19 C.F.R. 351.303(g). This certification provides no assurance, however, that the certifying parties have any real knowledge of the underlying facts that they are certifying. In our reviews, for example, when Groupstars was forced to admit that key technical and production facts had been falsified in the 2000 review, Groupstars claimed that its certifying official was primarily a U.S.-based sales and marketing official with limited contact with the Chinese technical and production employees. (See Exhibit 3 at page 432.) Thus, the Groupstars official who certified that Groupstars' submission was "complete and accurate" actually knew very little about the facts. This appears to be permissible under at least a technical reading of the current certification. In essence, the current certification encourages what is known in the popular vernacular as the "Sergeant Schultz defense," named for the 1960s TV sitcom character who sought to avoid trouble by actively seeking to "know nothing" about the facts.

Finally, we also believe that the lack of any established procedure for investigating and sanctioning false certifications is a further encouragement to fraud on the Department. In the 2000 review, Groupstars was found to have submitted and certified a forged business license and Groupstars subsequently admitted that numerous facts in that review were false. When Carus requested that the Department investigate this serious breach of the Department's certification requirements, we were informed that the Department had no process for doing so and no administrative sanctions for violations of these regulations. In the meantime, Groupstars proceeded with the 2001 review and continued to submit and certify facts that were directly opposed to facts certified in the 2000 review. (Although the Department's Inspector General subsequently investigated Groupstars' conduct at the express request of a Member of Congress, Carus understands that the Inspector General reportedly concluded that the Department had no direct means of sanctioning Groupstars for this conduct and that the only available sanction was referral for possible prosecution.)

In sum, our experience in recent years shows that the certification requirements currently being administered by the Department are virtually a "dead letter." They are subject to serious abuse, provide no assurance that the certifying party has any real knowledge of the certified facts and cannot be enforced administratively by the Department. The current certification rules also shift the investigative burden to U.S. companies. Carus has incurred substantial legal and consulting expenses uncovering evidence of repeated fraud involving the same company officials. In the absence of meaningful sanctions, dishonest officials and their companies can continue to file false statements for review after review, to the detriment of honest parties. If the Department is serious about preventing fraud in its trade proceedings, revising its certification rules and practices is an important first step.

III. Specific Recommendations

Based on the foregoing experience, Carus offers the following specific recommendations for revising the Department's certification rules and practices. To the extent that legislative authorization would be required for any of these steps, Carus recommends that the Department seek such authority.

A. The Current Certification Statements and Accompanying Rules Must be Improved.

Carus recommends that the Department improve its certification statements and accompanying rules in a number of ways. *First, the regulations should expressly require that certifications identify the actual submission being certified by date and title.* This would prevent the certifying official from simply signing a “blank check” for multiple future submissions that may or may not be read.

Second, the certification statement should assure that the certifying official is sufficiently informed of the facts that he or she is supposedly certifying. For example, the required company official certification might include additional language along the following lines:

(1) I have read the attached submission *regarding {describe submission}, dated {date},* (2) *I have personal knowledge of or have made reasonable inquiry regarding the facts set forth in this submission,* and (3) the information contained in this submission is, to the best of my knowledge, complete and accurate. (new language in italics).

The accompanying regulations should also require that the certification be executed by a company official on the basis of personal knowledge or reasonable inquiry regarding the underlying facts. To the extent that the certifying official obtains substantial information from other company officials, the regulations might also require that the certifying official keep records to demonstrate the extent of his or her inquiry. These records might include certifications from other company officials of the underlying facts. (U.S. Customs, for example, requires exporters who execute NAFTA certificates of origin to retain the origin certificate and underlying documents regarding the determination of origin, which may include subsidiary certificates. *See* 19 C.F.R. Part 181.) The Department might also consider including in the regulations or the accompanying certification a requirement that the certifying official inform the

Department if he or she later becomes aware that certified information is materially false or incorrect.

Third, the Department should make similar changes in the certifications required by counsel and in applicable rules. To assure that counsel has a reasonable basis for certifying the submission, the certification of counsel might be revised as follows:

(1) I substantially participated in the preparation of the attached submission, (2) I have read the attached submission, including the accompanying company official certification of {name}, and (3) based on the information made available to me by {name}, I have no reason to believe that the submission contains any material misrepresentations or omissions of facts. (new language in italics).

Finally, to underscore the seriousness of falsely certifying a factual submission, the standard certification language should also reference applicable penalties for filing a false certification, including criminal prosecution under 18 U.S.C. 1001, sanctions under the Department's (new) sanctions regulations and the use of adverse facts available against the certifying firm in the underlying investigation or review.

B. The Department Must Establish Regulations to Investigate and Sanction False Certifications.

Our experience in recent reviews has been that the current lack of procedures to investigate and administratively sanction certification violations makes it highly unlikely that even very serious violations will be investigated or sanctioned. As noted, in our reviews, the serious certification violations admitted to by Groupstars were separately investigated by the Inspector General only after a Congressional request. Moreover, we were told that the Department currently has no administrative sanctions for such violations. Additionally, although such violations are potentially subject to prosecution under 18 U.S.C. § 1001, we understand that the likelihood of such prosecutions is remote under current practice. As a result, persons caught making false certifications are very unlikely to suffer any direct consequences. This, in turn, seriously undermines the certification process. (In our 2000 review, although Groupstars' false information eventually resulted in the termination of the review, the same Groupstars' certifying

official continued to certify information in the 2001 review. Incredibly, he did so through the use of a photocopy of a certification in the 2000 review that had accompanied false information.)

Carus recommends that the Department establish a three-track process to investigate and address allegations that information had been falsely certified. This process should be overseen by a separate unit within IA charged with investigating fraud allegations. The allegations should be investigated by individuals who are independent from the IA team handling the underlying investigation or review and who have experience relevant to the specific facts and circumstances.

1. Investigation of the Reliability of the Information

The first track of this process would seek to assure that the underlying investigation or review is not undermined by false information. Under this first track, credible allegations that material information has been falsely certified would be more fully investigated by the IA fraud unit, on a "fast track" basis if necessary. In our reviews, Carus believes that we were required to shoulder an inordinate amount of the burden of demonstrating that the Chinese parties had submitted false and unreliable information. Where there is a credible allegation that information was falsely certified, an IA fraud unit should assist the IA team and the parties in more thoroughly investigating such allegations.

2. Investigation of the Certifying Individuals

The second track of this process should involve an independent investigation of the individuals (including by company officials and counsel) alleged to have made false certifications for purposes of determining if sanctions or other actions are necessary. Although we do not have detailed views on how this process should be structured, we believe that regulations similar to those employed by the International Trade Commission to sanction APO violations in the NAFTA context might be a good starting point. *See* 19 C.F.R. §§ 207.90-207.120.

3. Referrals to Other Enforcement Agencies

The third track of this process should include a regularized system for assuring that evidence of serious fraud or criminal activity is referred to other relevant enforcement

agencies on a fast-track basis for possible further action. For example, the new procedures should assure that the Internal Revenue Service is made aware of false U.S. financial statements and related banking information and that the Department of Justice is informed of materially false certifications that may violate 18 U.S.C. § 1001.

C. Definitions Under New Regulations Should Be Sufficiently Broad to Include All Material Misrepresentations.

It is important that definitions under the new regulations be sufficiently broad to cover all violations that may have a material effect on the outcome under the specific facts and circumstances of a particular investigation or review. In our 2001 review, for example, the fact that Groupstars had falsified substantial information in the 2000 review should have made the Department significantly less tolerant of submissions of false or misleading information in the subsequent review. Additionally, the regulations should also recognize that a review can be undermined by a consistent pattern of seemingly lesser violations.

The regulations should cover not only the knowing submission of false information, but also failures to take reasonable care in assuring that completeness and accuracy of information. (In this regard, the regulations should track the revised certifications set forth above, which require personal knowledge and/or reasonable investigation of the certified facts.)

Carus also believes that the new regulations must also cover documents and oral statements provided or made at verification. Although respondents are not supposed to provide new information at verification, company officials must provide underlying data to support their questionnaire responses and frequently give various explanations of possible discrepancies. As noted, in our review for 2000, the Department conducted a two-week verification in China (and were shown financial statements, general ledgers and other fundamental production and accounting records supplemented by numerous oral statements) at multiple plants that were subsequently shown to have had nothing to do with the actual production of the goods. Moreover, Groupstars subsequently admitted that much of the underlying documentation shown at verification had been "made up." In effect, this entire verification was a fraud. The regulations must assure that persons and firms that engage in such serious fraud can be appropriately sanctioned.

D. The New Regulations Should Include a Range of Appropriate Sanctions.

Certifying officials and counsel should be subject to a full range of appropriate sanctions, including civil penalties, debarment or suspension from practice or participation before the Department, referrals to professional associations and reprimands. Below we set forth a range of appropriate sanctions.

1. Company Officials

- If the Department finds that a company official has knowingly falsely certified a fact or facts that are material to a proceeding, that company official should be barred from serving as a certifying company official for future submissions in all proceedings involving that company.
- If the Department finds that a company's officials knowingly falsely certified a fact or facts that are material to a proceeding, that company should be subject to a full scale audit in future proceedings for an appropriate and meaningful period. The full-scale audit would require submission of complete general ledger data, lengthier verifications, and corroboration of response data through third party review of documents.

2. Certifying Representatives

- If the Department finds that a representative of an interested party has knowingly falsely certified a fact or facts that are material to a proceeding, that representative should be barred from serving as a certifying representative for future submissions in all proceedings involving that respondent.
- If the Department finds for a second time that a representative of an interested party has knowingly falsely certified a fact or facts that are material to a proceeding, that representative should be barred from practicing before the Department for an appropriate and meaningful period.

* * * * *

Carus commends the Department for seeking to address these serious gaps in its current regulatory scheme. The tightening of the Department's certification requirements and the appropriate enforcement of violations is an important step in helping to prevent fraud from

Mr. James J. Jochum
24 March 2004
Page 12

undermining our Nation's trade laws. Carus also urges the Department to work closely with other agencies and Congress to attack fraud in trade cases on a comprehensive basis. Among other things, it is critical that the Department's investigators have the resources and capabilities required to fully investigate such fraud. Additionally, in appropriate cases, the Department should actively seek the prosecution of those parties engaged in serious fraud. In view of the serious threat that unfair trade poses to important segments of U.S. manufacturing and agriculture, an all-out effort to address fraud in trade cases should be one of the Department's highest priorities.

Respectfully submitted,



Aziz I. Asphahani
President and CEO

-and-



Inga Carus
Senior Vice President
Carus Chemical Company
315 Fifth Street
P.O. Box 599
Peru, Illinois 61354-0599
(815) 224-6548 (Telephone)
(815) 224-6697 (Facsimile)
Aziz.asphahani@caruschem.com
Inga.carus@caruschem.com

Exhibit 1

COMPANY OFFICIAL CERTIFICATION

I, Eugene Ji, an employee and owner of Groupstars Chemical Co., Ltd. (Shandong)
("Groupstars") and Groupstars Chemical LLC ("Groupstars USA"), hereby certify that:

(1) I have read the attached submission, and (2) the information contained in this
submission is, to the best of my knowledge, complete and accurate.

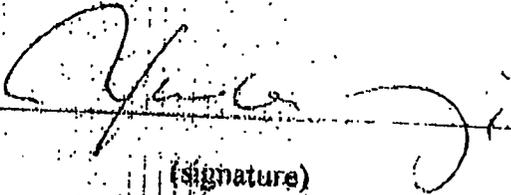

(signature)

Exhibit 2

LAW OFFICES
GARVEY, SCHUBERT & BARER
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

SEATTLE
EIGHTEENTH FLOOR
1191 SECOND AVENUE
SEATTLE, WASHINGTON 98101-2939
(206) 464-3939

FIFTH FLOOR
1000 POTOMAC STREET, N.W.
WASHINGTON, D.C. 20007-3501
(202) 965-7880
FAX (202) 965-1729

PORTLAND
ELEVENTH FLOOR
121 S.W. MORRISON STREET
PORTLAND, OREGON 97204-3141
(503) 228-3939

NEW YORK
EIGHTH FLOOR
SOHO INTERNATIONAL ARTS BUILDING
599 BROADWAY
NEW YORK, NEW YORK 10012-3235
(212) 431-8700

April 5, 2002

PLEASE REPLY TO

WASHINGTON, DC OFFICE

Investigation No. A-570-001

Total Pages: 8

New Shipper Review

01/01/00 - 12/31/00

PUBLIC DOCUMENT

VIA FACSIMILE AND HAND DELIVERY

Secretary of Commerce
U.S. Department of Commerce
14th Street & Constitution Avenue, NW
Attn: Import Administration
Central Records Unit, Room 1870
Washington, DC 20230

Re: Potassium Permanganate from the People's Republic of China

Dear Mr. Secretary:

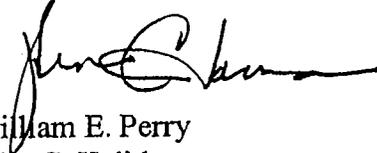
On behalf of Groupstars Chemical Co., Ltd. (Shandong) ("Groupstars") and Groupstars Chemical LLC ("Groupstars USA"), and in response Department's request for information regarding the potassium permanganate production facility in Jinan, China, we hereby file the attached comments of Eugene Ji.

Regarding the issue of actual production at said facility, we remind the Department that it conducted a verification noting, "[t]he description of the structure and scope of Groupstars Chemical's Jinan operations that we obtained at verification is consistent with that reported in Groupstars' submissions to the Department." Verification of Groupstars Chemical LLC's and Groupstars Chemical Co. Ltd's responses in the New Shipper Review of Potassium Permanganate from the People's Republic of China - China Verification at 4 (Dec. 26, 2001).

Moreover, the verification report states that the Department was able to verify the production quantity and the raw materials consumed from the production records of Jinan. As the verification report states, "[T]he production quantity listed in the finished products subledger agreed with that reported to the Department." See verification report at page 9.

Should there be any questions regarding this matter, please feel free to contact us.

Respectfully submitted,



William E. Perry
John C. Kalitka

Attachment

cc: John Coniff, Room 3067
Chris Brady, Room 3067

DC_DOCS:593209.1

CERTIFICATE OF SERVICE

I, John C. Kalitka, hereby certify that on April 5, 2002, I caused a copy of the foregoing to be delivered via first-class mail to the following:

S. Stephen Spring, II, Esq.
Spring, Spring & Associates, LLC
8939 Jefferson Highway
Suite E
Baton Rouge, LA 70809

Edward F. Gerwin, Jr., Esq.
Winston & Strawn
1400 L Street, NW
Washington, DC 20005



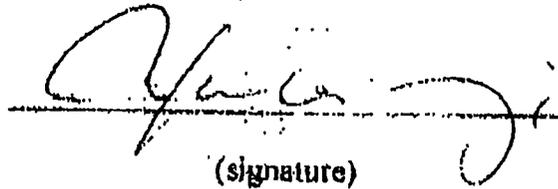
John C. Kalitka

COMPANY OFFICIAL CERTIFICATION

I, Eugene Ji, an employee and owner of Groupstars Chemical Co., Ltd. (Shandong)

("Groupstars") and Groupstars Chemical LLC ("Groupstars USA"), hereby certify that:

(1) I have read the attached submission; and (2) the information contained in this submission is, to the best of my knowledge, complete and accurate.


(signature)



Groupstars Chemical L.L.C.

Re: Potassium Permanganate From the People's Republic of China -
New shipper. Review - Jinan plant, Groupstars (China)

As we reported to the Department, Groupstars was planning to buy the Jinan facility at the beginning stage when Groupstars was established in China. Later on, after we found out the Jinan plant had various machinery problems, we decided to run a very small testing operation of 20 Mt with existing raw materials left over (which had a value of over \$100,000) before the plant was shut down, and purchased extra raw material such as KOH, coal, Mn. dioxide. When we failed to run the plant in a continuous process, Groupstars changed the operation to batch process and only produced 9 Mt instead of 20 Mt as we planned to.

In any batch production operation, the factor usage rates for material inputs for the potassium permanganate input are all very identical because the chemical reactions are all the same. The only differences are volume and labor consumption and over all cost of production.

If you count the value of the left over materials, the cost of production for the 9 Mt would be very high, but Groupstars got it for free. Groupstars did not pay anything for this left over materials. The petitioner may not know what had been left in the closed plant and

its condition so it is incorrect for the petitioner to make the comments on our cost of production, particularly its wrong for the petitioner to use continuous operation process to compare with our batch to batch operation in Jinan for the 9 Mt and 20 Mt cost of production.

It is true our cost could be higher for start-up due to the fact it required additional raw material inputs, but we recovered 9 mt and later on in Sept 2001 another 20 Mt after simple process of what has been left over in Jinan Huaiyin plant.

Unlike Carus, having a continuous big operation with hundred of people moving bags of ore and KOH, the Jinan plant was in production for just a few days and it was a very small batch by batch operation by 5-6 Groupstar's employees. Other employees were not involved in such a small operation. Most of the people we hired at the beginning state were hired to do clean up work, construction and work shop repair. The guy who was asked questions by the Department officers were not aware about potassium permanganate project, because he was hired as a construction labor, responsible for building repair work. The Department officers simply had asked the wrong person at random. Its like me sitting in my office from 8 AM to 6 PM, a visitor comes to visit me, but instead of knocking at my door, he asks the doorkeeper, who is new to the job, and may say he did not see me the whole day, but that does not mean I was not in my office.

If you look at the factor usage rates for material inputs for all the potassium permanganate plants in China, you will find out that these rates are all identical to each other. Even comparing it with the rates from Carus, you will see no big difference between the Chinese cost of production and the cost of production from Carus (at about \$0.60 / per lb.) because the production of potassium permanganate is simply a process of "cooking dirt".

Since 1984, the petitioner had misled the Department to believe the Chinese production cost is higher than the selling price in the U.S. market from china to create a "dumping" story so it can control the U.S. market, but if you look at all the contracts Carus signed when Carus was buying potassium permanganate from the Chinese firms, the prices are all under \$900/mt. Mr. David Covey was in China, he did not believe the Jianshui plant, with lbs 5000 Mt production per year, its cost of production is lower than Carus, which makes 25,000 Mt per year. But Mr. David Covey bought 200 Mt at \$900/mt on behalf of Carus from the Jianshui while Carus is suing Jianshui for dumping. Mr. Covey may still believe the Jianshui plant sold the product to him at a " loss ". Possible?

A Chinese company buys 10 container loads of used computers from USA per month at \$5/pc and because labor is so cheap, they can take the copper, aluminum and other useful parts out of the computer and profit \$50/pc. Impossible? It was reported on TV.

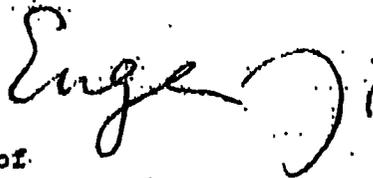
It is true it will cost a lot of labor to recover the left over material in the closed plant in Jinan, Groupstars recovered as much as it could and then moved on to have purchased 52% of Jianshui plant and have not used the Jinan plant for production since then.

I believe Groupstars entry to the market will benefit the U.S.

consumers who are the real supporters of Groupstars with their purchase orders placed to Groupstars.

If there were no U.S. consumers who have been victims of the anti dumping case for nearly 20 years as our supporters, we would not be here in this great free market economy country as a competitor. I strongly believe our customers are always right and our government's job is to encourage fair competition.

Eugene Ji



President of

Groupstars Chemical LLC

Exhibit 3



WASHINGTON, DC OFFICE
fifth floor
flour mill building
1000 potomac street nw
washington, dc 20007-3501
TEL 202 965 7880 FAX 202 965 1729

OTHER OFFICES
new york, new york
portland, oregon
seattle, washington
GSBLAW.COM

GARVEY SCHUBERT BARER

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

October 22, 2002

Case No.: A-570-001

Total Pages: 40

Administrative Review

01/01/2001-12/31/2001

PUBLIC VERSION

Business Proprietary Information
deleted or ranged on pages 1, 5, 11 & 13-16;
and in Appendices S3-2 to -3

BY HAND DELIVERY

Secretary of Commerce
U.S. Department of Commerce
14th Street & Constitution Avenue, NW
Attn: Import Administration
Central Records Unit, Room 1870
Washington, DC 20230

Re: **Potassium Permanganate from the People's Republic of China**

Dear Mr. Secretary:

On behalf of Groupstars Chemicals Co., Ltd. (Shandong), a Chinese exporter of the subject merchandise in the above-referenced investigation, we are submitting herewith the company's Third Supplemental Questionnaire response.

Pursuant to 19 C.F.R. § 351.304 we are requesting business proprietary treatment for the information contained in the brackets. The information contained therein is proprietary information concerning data the release of which would cause substantial harm to the competitive position of our client:

- **Information Regarding the Quantity and Value of Sales and Entries:** Contained in the response and exhibits. Contained in the response and exhibits. Protected under 19 C.F.R. § 351.105(c)(11).
- **Information Regarding Transaction-Specific Selling Prices, Terms of Sales, Customer Names and Movement Expenses.** Contained in the response and exhibits. Protected under 19 C.F.R. §§ 351.105(c)(4) - (6) and (11).



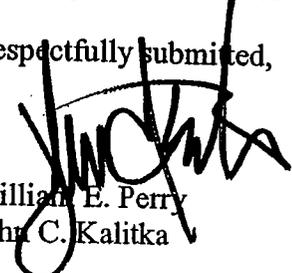
G A R V E Y S C H U B E R T B A R E R

- Information Regarding Financial Information. Contained in the response and exhibits. Protected under 19 C.F.R. § 351.105(c)(11).
- Information Regarding Factors of Production. Contained in the response and exhibits. Protected under 19 C.F.R. §§ 351.105 (c)(2), (6) and (11).

As a result, we have deleted or summarized such information in the public version of our submission to the extent possible without revealing the information. We consent to the release of the proprietary information contained in this submission, to the extent requested by the Department, under the appropriately issued Administrative Protective Order.

Should there be any questions regarding this matter, please contact us.

Respectfully submitted,



William E. Perry
John C. Kalitka

cc: John Coniff, Room 3067
Drew Jackson, Room 3067

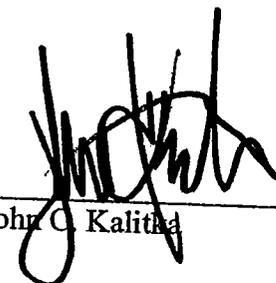
A-570-001

AR: 01/01/01-12/31/01

CERTIFICATE OF SERVICE

I, John C. Kalitka, hereby certify that on October 22, 2002, I caused a copy of the attached to be delivered via first-class mail to the following:

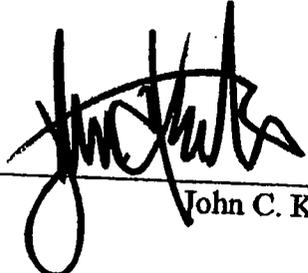
Edward F. Gerwin, Jr., Esq.
Winston & Strawn
1400 L Street, NW
Washington, DC 20005



John C. Kalitka

CERTIFICATION

I, John C. Kalitka, hereby certify that (1) I have read the attached submission and (2) based on the information available to me, I have no reason to believe that such submission contains any material misrepresentation or omission of fact.

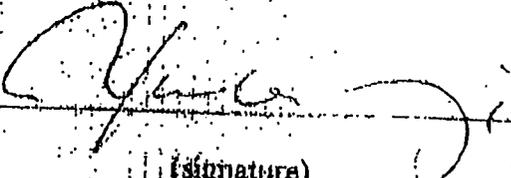


John C. Kalitka

COMPANY OFFICIAL CERTIFICATION

I, Eugene Ji, an employee and owner of Groupstars Chemical Co., Ltd. (Shandong
("Groupstars") and Groupstars Chemical LLC ("Groupstars USA"), hereby certify that:

(1) I have read the attached submission, and (2) the information contained in this
submission is, to the best of my knowledge, complete and accurate.



(signature)

**U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
IMPORT ADMINISTRATION
WASHINGTON, DC**

AD REVIEW INVESTIGATION)

POTASSIUM PERMANGANATE FROM)
THE PEOPLE'S REPUBLIC OF CHINA)

A-570-001

PUBLIC VERSION

**Business Proprietary Information
deleted or ranged on pages 1, 5, 11 & 13-16;
and in Appendices S3-2 to -3**

**RESPONSE OF GROUPSTARS CHEMICALS CO., LTD. (SHANDONG)
TO THE DEPARTMENT'S THIRD SUPPLEMENTAL QUESTIONNAIRE
2001 REVIEW**

October 22, 2002

PAGE 427

GROUPSTARS THIRD SUPPLEMENTAL QUESTIONNAIRE

For each question that follows, please provide any applicable Chinese original documentation and complete English translations.

Jianshui County Chemical Industry (Jianshui Chemical Company) and Groupstars-Jianshui

1. Did the Jianshui Chemical Company hold an export license at any time during the period of review (POR)? If so, please provide a copy of the Jianshui Chemical Company's license which stipulates that it can only be an exporter of potassium permanganate, and not a producer.

There is no such business license that stipulates Jianshui Chemical can only be an exporter of potassium permanganate, and not a producer. We have submitted Jianshui Chemical's business license in response to the first supplemental questionnaire in attachment S1-A8, which stipulates that Jianshui can export potassium permanganate.

2. Did the Jianshui Chemical Company export potassium permanganate during the POR? If so, please provide a table listing the quantity and value for third country sales during the POR.

The export sales to other countries during the POR were:

2001 January: [244 mt, RMB 1,434,737.9] Hong Kong, India, Japan, South Korea, Vietnam.

2001 February: [136 mt, RMB 820,536.04] India, Turkey, Iran, Vietnam

2001 March: [62 mt, RMB 351,433.01] Japan, Turkey.

2001 April: [295 mt, RMB 1,747,441.46] Hong Kong, Japan, India, Vietnam.

2001 May: [317 mt, RMB 1,908,725.8] Japan, Thailand, Hong Kong, South Africa, India, Vietnam

2001 June: [196 mt, RMB 1,167,862.36] Thailand, Japan, Hong Kong, India, Vietnam

2001 July: [40 mt, RMB 232,061.54] India, Vietnam

2001 August [202 mt RMB 1204823.36] Vietnam, India, Thailand, Japan, Europe

2001 September [179.9 mt RMB 1068251.16] Vietnam, South Africa, Thailand, Europe

2001 October [6.6 mt RMB 38603.02] Hong Kong

2001 November [143 mt RMB 849435.59] Vietnam, India, Taiwan, South Africa, Thailand, Australia

2001 December [246 mt RMB 1742536.20] Vietnam, Malaysia, Hong Kong, Japan

3. **Did the Jianshui Chemical Company export potassium permanganate after it transferred its potassium permanganate production to Groupstars? If so, please provide a table listing the quantity and value for all third country sales during the POR.**

Jianshui Chemical Company did export potassium permanganate after it transferred its potassium permanganate production to Groupstars. Please see the table in the answer to question 2 above.

4. **Did either Jianshui Chemical Company, Groupstars or Zhounghui Yuantong Investment Consultation Co. Ltd.(ZIC) have any other joint ownership, common employees or affiliations with any other potassium permanganate plant in the People's Republic of China (PRC) during the POR?**

No

5. **Did the Jianshui Chemical Company, Groupstars or ZIC purchase any potassium permanganate from any other producer in the PRC during the POR?**

No.

6. **Please state whether Edmond Feng, is affiliated or was affiliated with the Jianshui Chemical Company or Groupstars during the POR. Please explain how you reached this conclusion.**

Edmond Feng was not affiliated with Jianshui Chemical or Groupstars during the POR. Mr. Feng used to work with Sichuan Chemical Import and Export Company through which Jianshui chemical factory exported potassium permanganate since 1989 before Jianshui was granted its own export right. Mr. Feng was the person in charge of this business in Sichuan Chemical Import and Export Company during that period. When Jianshui Chemical Co. got its own export right, Mr. Feng still helped Jianshui export potassium permanganate under in Jianshui's own name. Mr. Feng quit his job in Sichuan and became an independent trader/sales agent in 2001.

As an independent trader/ sales agent, Mr. Feng put up advertisement and promotion information on webpages on Tradepost.com to attract business. He used the name and the local

address of Jianshui Chemical. However, he put his own contact information, such as the telephone number and his own address, Chengdu, Sichuan, on the webpage. The under county level address on the webpage is Nansansi, Chenguan, which actually is the place in Jianshui county of Yunnan province where Jianshui Chemical is located.

7. In your October 3, 2002 submission, you state that petitioner's allegation that "trade-post.com" is the official website for the Jianshui Chemical Company is erroneous. See Groupstars' October 3, 2002 submission at 5. If this is true, please provide the official web site for the Jianshui Chemical Company.

Jianshui Chemical Co. does not have its own official website.

8. Please provide the theoretical consumption quantities of inputs (based on chemical formulas), required to produce one metric ton of potassium permanganate.

The theoretical consumption for the two major and most important materials can be derived in terms of the following equations:

Given that:

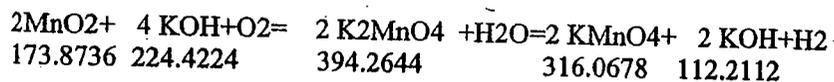
Molecular weight of MnO₂ is 86.9368

Molecular weight of KOH is 56.1056

Molecular weight of KMnO₄ is 158.0339

Molecular weight of K₂MnO₄ is 197.1322

The equation for the chemical reaction reads:



Therefore, one metric ton of potassium permanganate needs MnO₂ of $173.8736/316.0678=0.55011488$ MT and needs KOH of $(224.4224-112.2112)/316.0678=0.35502256$ MT.

9. In your October 3, 2002 response, you state that the ownership percentage for Groupstars-Jianshui during the POR were: 52% owned by Groupstars and 48% owned by the Jianshui Chemical Company. See Groupstars October 3, 2002 response at 5. However, on page 2 of your August 5, 2002

response you state that the ownership percentages for Groupstars' Jianshui during the POR were the following: 52% owned by Groupstars, 40% owned by the Jianshui Chemical Company and 8% owned by ZIC. Please clarify this apparent inconsistency.

The August 5th response is the correct one. As stated in response to question 65 in the response to the second supplemental questionnaire, "Mr. He and Mr. Zhao used ZIC to invest money on behalf of the management team." The 8% is for the management group

10. In Groupstars' October 3, 2002 response, you state that "Counsel in this review must be permitted to file only accurate financial and production information on this review investigation []." See Groupstars October 3, 2002 submission at 3. Please identify for purposes of clarifying the record, all inaccurate submissions pertaining to the 2001 review that were placed on the record of the instant review by petitioner on June 11, 2002. Please explain why these inaccurate documents were certified as being accurate by Mr. Ji in the 2000 new shipper review.

According to Groupstars, the following documents from the new shipper review in the petitioner's June and August submission in this review investigation are not accurate:

1. Claims that Groupstars had formed a joint venture in Jianshui in 2000 is not correct.
2. Date of Business license of Shandong Groupstars is not correct.
3. The financial statement for the Groupstars Chemical Co., Ltd. (Yunnan) ending by March 30, 2001 is not accurate.
4. Claims that Shandong Groupstars produced 20 mt potassium permanganate in September 2001 is not accurate.
5. Monthly financial statement-July 2000 of Jianshui Chemical factory.
6. Year 2000 financial statement of Jianshui Chemical factory.
7. Business license dates for Jinan and Jianshui.
8. Year 2000 financial statements for Jinan.
9. Year 2000 raw material inputs and costs of manufacturing for Jinan and Jianshui.

Mr. Ji, the only employee of Groupstars USA, spent most of his time in Baton Rouge, Louisiana, focusing on marketing and customer services in U.S. Most of the answers to DOC's questions came from the employees he hired for Groupstars (China). Neither Mr. Ji, nor the first counsel in the new shipper review traveled to China to advise the company on the importance of providing accurate responses to the Department's questions. In answering the questionnaire, Mr. Ji did not realize that all the answers to the Commerce Department's questionnaire had to come directly from the books and records of the companies.

Groupstars was a young company entering into a new business, and the management had no experience in producing potassium permanganate and no experience in an antidumping case. Mr. Ji, therefore, had to listen to the people he hired in China. He believed the information provided by the China side was trustful so he certified it as being accurate to best of his knowledge in the 2000 new shipper review.

[

]

Mr. Zhao and Mr. He request that the Commerce Department understand that Groupstars is treating this 2001 case as a totally new one. They realize that mistakes were made in the new shipper review and that accurate documents were not submitted to the Commerce Department. This is history. Groupstars now realizes the importance of submitting "exactly correct and accurate documents" to the DOC. Groupstars,

therefore, has responded to the Commerce Department's questionnaire carefully and filed only true and accurate documents in this case under the lawyer's instruction.

11. In Groupstars' October 3, 2002 response, you reiterate that Groupstars' "apparently rounded up its factors of production in the first new shipper review so as to ensure that the factors would not be understated." See Groupstars October 3, 2002 submission at 4. However, in the 2000 new shipper review the Department was able to trace the consumption quantities reported for the factors of production to source documents at both the Jinan plant and at the Jianshui Chemical Company, and noted no "rounding" of any consumption quantities. Additionally, these reported factors of production quantities had been certified as accurate by company personnel and counsel for Groupstars during the new shipper review. The Department did not state in its verification report for the new shipper review nor was it made aware during the verification proceedings that any factors of production had been "rounded" from source documents for both plants for purposes of reporting these factors to the Department.

Please have Groupstars officials from the new shipper review, which include many of the same officials involved in the instant review, clarify how the Jinan plant and the Jianshui Chemical Company were able to "round" the quantities reported for factors of production without altering source documents.

According to Mr. Ji, using the word "rounded up" may not be an entirely accurate response to the question. During the new shipper review, Groupstars did not understand the importance of providing absolutely accurate answers from the books and records of the company to the Commerce Department's questionnaire in an antidumping investigation. Groupstars in China and US truthfully did not have any advice from counsel about the importance of providing absolutely accurate answers to the questionnaire because its prior counsel had no experience in responding to questionnaires in an antidumping case.

In answering the Commerce Department's questionnaire, Mr. Ji obtained the factors of production for Jianshui and Jinan by talking to people at the companies. The Department needs to keep in mind that at the

time Commerce had issued the questionnaire in the new shipper review, Groupstars did not have a joint venture with Jianshui. Groupstars was merely Jianshui's customer.

Mr. Ji asked the sales people from Jianshui Chemical to provide their factors of production. The sales people, however, did not have access to the books and records of the company. These sales people responded by giving ball park estimates of the factors of production. Mr. Ji did not realize that these factors were ball park estimates and assumed that this information was "good" enough for the Commerce Department and provided these "estimates" as the factors of production to Commerce.

The first shipment that was the basis of the new shipper review was produced in September-October 2000. Part of the shipment came from Jinan and part from Jianshui. Mr. Ji now firmly believes that Jinan simply took potassium permanganate that it had lying around from past production and packaged that with the potassium permanganate from Jianshui in the Fall of 2000 and that was basis of the first shipment to the United States

Mr. Ji also asked Jinan to provide its factors of production for the new shipper review, and again Jinan personnel simply provided Mr. Ji with broad estimates of the factors of production that were not based on the books and records of the company. Mr. Ji assumed that the factors of production were accurate and so certified.

Counsel in the new shipper review, however, did not check the books and records of Jianshui or Jinan. At that period of time, neither Groupstars USA, nor Groupstars Jinan realized the level of detail and the accuracy demanded by the Commerce Department in response to antidumping questionnaires. Groupstars believed that it had done the best it could in providing information to Commerce at that stage.

Prior to verification, Mr. Ji told his employees that the records for factors of production at Jianshui and Jinan had to exactly match the factors of production that had been submitted in response to the questionnaire. According to Mr. Ji, although he was not at verification, in some cases, the employees may not have had a record which was exactly the one required by DOC, so they made some up according to their best knowledge and experience at that time.

Mr. Ji realizes that this was wrong and takes full responsibility for this action. Mr. Ji and Groupstars, however, now know the importance of providing accurate factors of production that are based on the books and record of the company. As stated in the October 3rd response to Carus' September 26th submission, Groupstars made false statements in the new shipper review and, therefore, was punished in the new shipper review. The Department should keep in mind that in contrast to Carus Chemical, at that time in the new shipper review, Mr. Ji and Groupstars had less than a year experience producing potassium permanganate and no experience at all in answering antidumping questionnaires. In this review investigation, Mr. Ji and Groupstars now have the benefit of counsel and also know from the results in the last review investigation that every response must be accurate and based on the books and records of the company or they will simply lose the case.

12. In Groupstars' April 5, 2002 submission, which was resubmitted on the record for the instant review by petitioner on June 11, 2002, Mr. Ji, the owner of Groupstars notes that the Jinan facility produced "20 metric tons of potassium permanganate" in September of 2001. See Groupstars' April 5, 2002 submission. In this statement, Mr. Ji describes the production of potassium permanganate from existing raw materials left over. The April 5, 2002 statement does not describe processing industrial grade potassium permanganate into free flowing grade potassium permanganate, but rather indicates that potassium permanganate was produced from raw materials.

In Groupstars' September 12, 2002 submission, Groupstars' states that, "There was no production of potassium permanganate from raw materials at Jinan". See Groupstars' September 12, 2002 response at 8. While it is true that respondent's current counsel did not certify Mr. Ji's April 5, 2002 statement from the new shipper review, Mr. Ji, owner of Groupstars during the new shipper review and the instant review, certified both statements, and thus attested to their accuracy.

Please have Mr. Ji explain how he was able to certify the April 5, 2002 statement that production did occur at Jinan during 2001 and the September 12, 2002 statement stating that production did not occur at Jinan during 2001.

According to Mr. Ji, when he was ready to sign the plant lease agreement with the plant owner, Jinan Spring Chemical, he was assured by Jinan Spring that the plant was in good condition to produce potassium permanganate. He signed the lease, and authorized the employees of Groupstars in Jinan to run a trial production in the plant. During that time, Mr. Ji was in U.S. not in China at the production site. His employees reported the production of 20 mt, 10 mt from left over material in Jinan in September and October 2000 and 9 mt purchased from Jianshui. As Groupstars Jinan was facing a lot of problems with the old plant, it spent a lot of money trying to fix the problems and later on, in Jan 2001, made a decision to give up production in Jinan but purchased 52% of a better plant in Jianshui.

When counsel and his trade consultant checked the 2001 books and records of Jinan, we could find no evidence of production of potassium permanganate from raw materials. We did see the employees producing free flowing potassium permanganate from the Jianshui material. We informed Mr. Ji that Groupstars could not report any production from raw materials at Jinan during 2001. Please note that the section D response in this case was submitted after the certification was filed in the new shipper review.

According to Mr. Ji, he was the person in charge of the communicating with China and the Department of Commerce in the New Shipper Review before Groupstars hired Mr. Perry's law firm. All the answers come from his employees in China so he was the one to certify the accuracy of the documents and data submitted to DOC. At the beginning stage, with a new venture starting far away from U.S. where he was located, most of the time, Mr. Ji had no other choice but to depend on information from Jinan, where people preferred to convince Mr. Ji that the plant could produce potassium permanganate so that they could be kept as employees. As a start up business, Groupstars had a number of problems obtaining and guaranteeing the accuracy of the data. Up to the time Mr. Ji found the partners in Groupstars and got a J/V entity in Jianshui, a well established plant, Groupstars was beginning to see a lot of mistakes made in the new shipper review, including documents filed with DOC. It was only after Groupstars hired Mr. Perry's law firm that Groupstars began to understand the level of detail and accuracy demanded by the Department in preparing its response to the Department's questionnaire.

Moreover, there was confusion about the terms "production" and "processing". According to Mr. Ji, it is true that production did not occur at Jinan during 2001, as Jinan only converted tech grade potassium permanganate from the Jianshui plant to free flowing grade for export to Groupstars (USA). According to Mr. Ji:

We made mistakes when we walked in to the old shut down plant in Jinan, but now we are doing better each day with the J/V plant, and we thank the DOC for allowing us to clarify the places where we made mistakes. In the new shipper review, we produced or processed 20 mt in the Summer and Fall of 2000, but only shipped 18 mt to U.S. as the first shipment as the container could only hold 18 mt. The employees in Jinan reported to Mr. Ji that 9 mts were produced from raw material or left over materials. Now we believe that 9 mts were not made from raw materials as reported by our employees in Jinan. We believe that 9 mts were collected from the left over product in the Jinan warehouse as the plant was not in the condition to produce product as we were told. The other 9 mts were shipped from Jianshui.

After the J/V was established, in 2001 Jianshui shipped tech grade to Jinan for processing into free flowing grade, and that was reported in our submission to the DOC. My April 2002 statement in the new shipper review that Jinan produced 20 mt in Sept 2001 is inaccurate and not correct, but it is correct to say Jinan processed xxx mt (as reported to DOC) from tech grade to free flowing grade for export to USA in 2001.

13. In question 34 of the Department's August 23, 2002 supplemental questionnaire, the Department requested that Groupstars:

Please elaborate on the markets to which Jianshui Chemical exports potassium permanganate and other products.

You responded that:

Groupstars exports potassium permanganate to Hong Kong, India, Japan, South Korea, Vietnam, Turkey, Iran, Thailand and South Africa.

Please clarify whether Groupstars or the Jianshui Chemical Company exported potassium permanganate to the countries listed above. If Groupstars exported potassium permanganate to third countries during the POR, please provide a table listing the quantity and value for all third country sales during the POR.