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VIA HAND DELIVERY

Joseph A. Spetrini
Acting Assistant Secretary
for Import Administration
U.S. Department of Commerce
Central Records Unit
Room 1870
Fourteenth Street and Constitution Avenue, NW
Washington, D.C. 20230

Re: Expected Non-Market Economy Wages: Request for Comment on
Calculation Methodology

Dear Acting Assistant Secretary Spetrini:

These comments are filed on behalf of Dorbest Limited, Rui Feng Woodwork (Dongguan) Co., and Rui Feng Lumber Development (Shenzhen) Co., Ltd. ("Dorbest"), in response to the U.S. Department of Commerce's June 30, 2005 Federal Register notice, Expected Non-Market Economy Wages: Request for Comment on Calculation Methodology, 70 Fed. Reg. 37761.

Dorbest supports, and incorporates herein by reference, the comments being filed today by the Ministry of Commerce of the People's Republic of China.

Dorbest applauds the Department's action in soliciting public comment regarding the wage rate calculation in advance of the application of those wage rates to current non-market economy cases. As the Department is well aware, Dorbest is keenly interested in this issue,

having raised concerns regarding the Department's calculation during the context of the *Furniture* investigation, and again during the recent remand proceeding conducted in the context of Dorbest Limited v. United States, Court No. 05-0003.

Dorbest's position regarding the Department's calculation methodology is well known. Dorbest submits that the Department's regression regulation is unlawful on its face in that it permits the Department to value factors of production using surrogate data from countries which are not economically comparable to China. When the Department promulgated that regulation, it intended to include a clause which would have limited the regression calculation only to countries which were economically comparable. But that clause was inadvertently omitted from the language in the final regulation, as explained more fully in our comments to the Department in the *Furniture* remand.

The Department should use the wage rate from India, or at the very least, those countries designated by the DOC as economically comparable to the NME at the outset of each proceeding, to comply with the statute's directive.

In operation, the Department's calculation is highly distortive in that the Department starts with something other than the entire universe of data available from the ILO website. In the Sample 2003 calculation, the Department excluded 23 countries from the calculation, for which data was available in the ILO dataset. The Department actively filtered out that data during the extraction of the ILO information into Excel, resulting in only 56 countries being considered as candidates for use in the regression calculation (and only 52 being actually used in the calculation). Since the Department did not use the entire universe of data that was available in the initial step of the calculation, the statistical representativeness of the resulting correlation

between GNI and wages is destroyed completely. There is no economic or statistical theory which permits an arbitrarily-selected subset to be representative of the entire database.

The countries excluded by the Department have a great impact on the resulting wage rate, distorting the Y-intercept of the regression calculation and inflating the surrogate wage rate for China by at least 20%. Thus, the arbitrary filtering of country data during the first step of the Department's calculation undermines the statistical validity of the entire calculation.

Because the wage and GNI level of the countries included in the regression calculation have such an impact on the resulting surrogate wage rate, the Department should only include countries that are economically comparable with the NME in the regression calculation. The World Bank has established categories to rank countries by per-capita GNI. The countries designated by the DOC as economically comparable with China for purposes of the selection of other surrogate values all fall within the World Bank's "low" and "lower-middle" income categories. Therefore, the World Bank classifications, which are established and defined by that body and not by any interested party in the dumping proceedings, offer an ideal way for the Department to limit the regression calculation to countries which are economically comparable with China and to output a regression result that has enough datapoints to be statistically valid.

Finally, as explained in Dorbest's comments on the draft redetermination on remand in the Furniture appeal, the Department should also check for, and correct for, data distortions due to heteroscedasticity within the cross sectional dataset of GNI and wages. It is well recognized statistical theory that an Ordinary Least Squares regression methodology, as applied by the Department, is not the proper regression calculation to apply when data indicates heteroscedasticity. Rather, the Department should apply the Generalized Least Squares methodology, which is available in SAS, to correct for heteroscedasticity in the data.

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An original and six copies of these comments are attached.

If you have any questions, please contact the undersigned.

Sincerely,

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