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MEMORANDUM TO: Faryar Shirzad
Assistant Secretary
for Import Administration

FROM: Joseph A. Spetrini
Deputy Assistant Secretary
AD/CVD Enforcement Group III

SUBJECT: Issues and Decision Memo for the Final Results of the Administrative Review of Sulfanilic Acid from the People's Republic of China

Summary

We have analyzed the case briefs and rebuttal briefs submitted by interested parties in the administrative review of the antidumping duty order on sulfanilic acid from the People's Republic of China (PRC). Below is the complete list of the issues in this administrative review about which we received comments from parties:

1. Use of New Surrogate Value Information for Aniline and Sulfuric Acid
2. Supplementing or Adjusting New Surrogate Value Information for Aniline and Sulfuric Acid

As a result of our analysis, we have made changes in the margin calculations. We recommend that you approve the positions we have developed in the "Discussion of the Comments" section of this memorandum, and the following changes:

Changes Since the Preliminary Results

- To value aniline and sulfuric acid, we used the new surrogate value information average Indian prices derived from rates published in *Chemical Weekly*, that are contemporaneous to the POR, and have supplemented this information by adding the weekly prices from the omitted issues of *Chemical Weekly* published from September to December 2000.

- We updated the surrogate value for labor using the revised September 2002 wage rates calculated for the PRC in the Department's "Expected Wages of Selected Non-Market Economy Countries- 2000 Income Data."

- We updated the surrogate value for foreign inland truck freight expenses incurred on inputs

shipped to the factory by using nineteen Indian price quotes as reported in the February 14, 2000 issue of The Financial Express.

Discussion of Comments

Comment 1: Use of New Surrogate Value Information for Aniline and Sulfuric Acid

Petitioner argues that the Department should use the new surrogate value information for the Indian domestic price of aniline and sulfuric acid which petitioner timely submitted after the preliminary results of this review. Petitioner's new surrogate value information for aniline and sulfuric acid submitted for the final results is based on published Indian domestic prices quoted in *Chemical Weekly* during the period of review ("POR"). According to petitioner, this data is superior to the data used in the preliminary results for valuing the Indian domestic prices of aniline and sulfuric acid because it is contemporaneous with the POR. Therefore, this new data better satisfies the Department's criteria for selecting publicly available information ("PAI") to value factors of production because it is contemporaneous with the POR and is the "best available information" within the meaning of 19 U.S.C. § 1677b(c)(1).

Respondents argue that the Department should continue to use the surrogate values for aniline and sulfuric acid that were used in the preliminary results. Respondents argue that petitioner's new data is incomplete and does not accurately represent the average domestic price of aniline and sulfuric acid in India for the entire POR. Specifically, respondents note that petitioner's data includes weekly domestic prices in the surrogate country, India, from only 38 issues of *Chemical Weekly*; omits all issues and data for September and November 2000; and, includes only one issue for October and December 2000. Respondents note that petitioner provides no explanation for these omissions. According to respondents, this incomplete data set omits more than 25 percent of the published issues and therefore, cannot reasonably represent the domestic prices of aniline and sulfuric acid during the POR. In contrast, in the prior administrative review of this antidumping duty order, the Department used domestic price data from 47 issues of *Chemical Weekly*, which respondents argue represents an annual survey of domestic Indian prices of aniline and sulfuric acid that properly accounts for market fluctuations and price variations. Therefore, respondents argue that this data, adjusted by a wholesale price index inflator to make it contemporaneous to the POR, is the only reasonable and accurate representation of these Indian domestic prices for aniline and sulfuric acid during the POR.

According to respondents, when there are competing sets of surrogate value data, it is the Department's practice to use the more complete and accurate data set. See Final Results of Antidumping Duty Administrative Review and New Shipper Reviews, and Final Partial Rescission of Antidumping Duty Administrative Review of Freshwater Crawfish Tail Meat from the People's Republic of China, 66 FR 20634 (April 24, 2001), and accompanying Issues and Decision Memorandum at "Comment 1: Use of Spanish Import Data as Surrogate Value of Live Crawfish." Similarly, respondents note that in the 1998-1999 administrative review of Sebacic Acid, the Department indicated its preference for using data that covered a ten-month period instead of a three-month period. See Final Results of Antidumping Duty Administrative Review of Sebacic Acid from the

People's Republic of China ("Sebacic Acid"), 65 FR 49537 (August 14, 2000), and accompanying Issues and Decision Memorandum at "Issue 10: Castor Oil and Castor Seed Valuation."

Petitioner rejects respondents' argument and contends that respondents neither allege that petitioner's new data is distortive, nor argue that the missing data would otherwise change the final average prices for aniline and sulfuric acid as calculated by petitioner. To the contrary, petitioner states that this new, contemporaneous data is proof that the Department's inflation adjustment using the prior period data is distortive, and does not capture or reflect the actual prices during the POR.

According to petitioner, the data used in the preliminary results is not contemporaneous to the POR, and using it would be inconsistent with the Department's practice and preference to use, where possible, surrogate values that are contemporaneous to the POR. In a review of manganese metal from China, petitioner notes that the Department used a single price quote for the surrogate value because it was contemporaneous with the POR. See Final Results of Antidumping Administrative Review of Manganese Metal from the People's Republic of China, 66 FR 15076 (March 15, 2001), and accompanying Issues and Decision Memorandum at "Comment 8: SDD Valuation." In the instant review, petitioner argues that the data provided represents an extensive range of average weekly prices that is also contemporaneous with the POR, and thereby, fully satisfies the Department's criteria for selection as surrogate values.
Petitioner also contends that respondents' reliance on the Department's findings in the 1999-98 administrative review of Sebacic Acid is misplaced as it fails to take into consideration the Department's use, for the preliminary results of this review, of incomplete price data that covered only 10 months of the POR. See Sebacic Acid and accompanying Issues and Decision Memorandum at "Issue 1: Acceptance of the Respondents' April 28, 2000 Surrogate Value Submission." Furthermore, petitioner notes that the Department expressly stated its "practice to use data that are the most contemporaneous with the POR when selecting from two or more equally valid surrogate values." Id. at "Issue 9: Brokerage and Handling Valuation."

Department's Position: As noted in our preliminary results, in examining and selecting surrogate values, we consider, *inter alia*, whether the particular surrogate value is representative of a range of prices within the POR or most contemporaneous with the POR. In the instant review, we find that petitioner's new surrogate value data for aniline and sulfuric acid better satisfies this requirement than the data relied on for the preliminary results. This range of data falls within the POR, and reflects prices during 10 months of the POR. While the data used for the preliminary results may reflect a larger range, as argued by respondents, this data is not the most contemporaneous data available. We find petitioner's new surrogate value information alone to be the best available information for purposes of determining the surrogate values of aniline and sulfuric acid. However, we have supplemented this information by gathering the published and publicly available price data from the omitted issues of *Chemical Weekly* published during the POR in order to obtain the most accurate, comprehensive, and contemporaneous data available on Indian domestic prices. See Comment 2, below.

Comment 2: Supplementing or Adjusting New Surrogate Value Information for Aniline and Sulfuric Acid

Petitioner argues that if the Department uses the new surrogate value information, the Department should supplement or adjust this information for aniline and sulfuric acid to compensate for missing information. Petitioner notes that the Department has, on its own initiative, collected and supplemented the record in an administrative review with additional contemporaneous domestic price data from issues of *Chemical Weekly*. See Final Results of the Antidumping Duty Review of Creatine Monohydrate from the People's Republic of China, 67 FR 10892 (March 11, 2002), and accompanying Issues and Decision Memorandum at "Comment 1: Use of Import Prices v. Domestic Prices in India to Value Certain Inputs."

According to petitioner, the Department has compensated for missing information in prior reviews by first calculating a simple average price for each month, and then calculating a simple average of the monthly averages within the POR in order to avoid any potential distortive price effects. See Final Results of Antidumping Duty Review of Potassium Permanganate from the People's Republic of China, (September 7, 2001), and accompanying Issues and Decision Memorandum at "Comment 19: Surrogate Value for Potassium Hydroxide." Petitioner notes that revising the data in this manner would result in a slightly higher price for aniline, while the price for sulfuric acid would not change.

In the alternative, petitioner suggests that the Department use the lowest weekly prices for aniline as reported in the issues of *Chemical Weekly* provided in petitioner's submission as a substitute for the missing weeks of data on domestic prices. According to petitioner, the Department could substitute these low prices for the prices in the missing issues and follow the methodology noted above by using the simple average of the monthly averages. Petitioner states that this would have no substantial impact on the final average price of aniline as calculated in the preliminary results, and would require no revision to the sulfuric acid price since that price did not change throughout the POR.

Department's Position: As noted above, we have supplemented petitioner's new surrogate value information by adding the weekly prices from the omitted issues of *Chemical Weekly* that were published during the POR (excluding excise taxes). This public information is readily available to the Department, and allows us to obtain the most appropriate and comprehensive Indian domestic prices for aniline and sulfuric acid that are contemporaneous with the POR. Since this will give us a complete range of data covering the entire POR, we will continue to use the simple average of these weekly domestic prices from *Chemical Weekly* as our final POR average prices for aniline and sulfuric acid.

Recommendation

Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final weighted-average dumping margin and the final results of this new shipper review in the Federal Register.

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Agree Disagree

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Faryar Shirzad
Assistant Secretary
for Import Administration

_____

Date