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DEPARTMENT OF COMMERCE

International Trade Administration

A-602-807, A-351-842, A-570-022, C-570-023, A-560-828, C-560-829, A-471-807

Certain Uncoated Paper from Australia, Brazil, the People's Republic of China, Indonesia, and Portugal: Initiation of Anti-Circumvention Inquiry

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce

SUMMARY: In response to a request from the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union; Domtar Corporation; Finch Paper LLC; P.H. Glatfelter Company; and Packaging Corporation of America (collectively, the petitioners), the Department of Commerce (the Department) is initiating an anti-circumvention inquiry pursuant to section 781(c) of the Tariff Act of 1930, as amended (the Act), to determine under the minor alterations provision whether uncoated paper with a GE brightness of 83 +/- 1% (83 Bright paper) is "altered in form or appearance in minor respects" from in-scope merchandise such that it may be considered subject to the antidumping (AD) and countervailing duty (CVD) orders on certain uncoated paper.

DATES: Effective [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

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SUPPLEMENTARY INFORMATION:

Background

On March 3, 2016, the Department issued AD orders on certain uncoated paper from Australia, Brazil, the People’s Republic of China (PRC), Indonesia, and Portugal and CVD orders on certain uncoated paper from the PRC and Indonesia.¹ On July 15, 2016, the petitioners alleged that Asia Pulp and Paper (APP), one of the major Indonesian producers of uncoated paper that is subject to the AD and CVD orders, is engaged in circumvention of the *Orders* by exporting uncoated paper with a GE brightness level of 83 to the United States.² The petitioners requested that the Department initiate an anti-circumvention proceeding, pursuant to both sections 781(c) and 781(d) of the Act and 19 CFR 351.225(i)-(j), to determine whether the merchandise at issue involves either a minor alteration to subject merchandise such that it should be subject to the *Orders*, and/or represents a later-developed product that should be considered subject to the *Orders*.³ In the alternative, the petitioners requested that the Department initiate a scope inquiry pursuant to 19 CFR 351.225(k) to determine whether 83 Bright paper falls within the scope of the *Orders* because it is “colored paper.”⁴ On August 1, 2016, in response to a request from the Department, the petitioners clarified that, consistent with 19 CFR 351.225(m), the intent of their request was that the Department conduct a single inquiry and issue a single

¹ See *Certain Uncoated Paper From Australia, Brazil, Indonesia, the People’s Republic of China, and Portugal: Amended Final Affirmative Antidumping Determinations for Brazil and Indonesia and Antidumping Duty Orders*; 81 FR 11174 (March 3, 2016) and *Certain Uncoated Paper from Indonesia and the People’s Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order (Indonesia) and Countervailing Duty Order (People’s Republic of China)*; 81 FR 11187, (March 3, 2016) (collectively, the *Orders*).

² See Letter from the petitioners entitled, “Certain Uncoated Paper From Australia, Brazil, The People’s Republic of China, Indonesia, and Portugal: Petitioners’ Request For Minor Alterations And Later-Developed Merchandise Anti-Circumvention Inquiry Or, Alternatively, For A Scope Ruling,” dated July 15, 2016 (Initiation Request). As indicated in the “Scope of the Orders” section, below, the GE brightness level specified in the scope of the *Orders* is 85 or higher.

³ *Id.*, at 2.

⁴ *Id.*

ruling applicable to each of the seven outstanding orders on certain uncoated paper identified in their original request.⁵

Scope of the Orders

The merchandise subject to these orders includes uncoated paper in sheet form; weighing at least 40 grams per square meter but not more than 150 grams per square meter; that either is a white paper with a GE brightness level⁶ of 85 or higher or is a colored paper; whether or not surface-decorated, printed (except as described below), embossed, perforated, or punched; irrespective of the smoothness of the surface; and irrespective of dimensions (Certain Uncoated Paper).

Certain Uncoated Paper includes (a) uncoated free sheet paper that meets this scope definition; (b) uncoated ground wood paper produced from bleached chemi-thermo-mechanical pulp (BCTMP) that meets this scope definition; and (c) any other uncoated paper that meets this scope definition regardless of the type of pulp used to produce the paper.

Specifically excluded from the scope of these orders are (1) paper printed with final content of printed text or graphics and (2) lined paper products, typically school supplies, composed of paper that incorporates straight horizontal and/or vertical lines that would make the paper unsuitable for copying or printing purposes. For purposes of this scope definition, paper

⁵ See Letter from Petitioners entitled “Certain Uncoated Paper From Australia, Brazil, The People’s Republic Of China, Indonesia, and Portugal: Petitioners’ Correspondence Pursuant To 19 C.F.R. § 351.225(m),” dated August 1, 2016.

⁶ One of the key measurements of any grade of paper is brightness. Generally speaking, the brighter the paper the better the contrast between the paper and the ink. Brightness is measured using a GE Reflectance Scale, which measures the reflection of light off a grade of paper. One is the lowest reflection, or what would be given to a totally black grade, and 100 is the brightest measured grade. “Colored paper” as used in this scope definition means a paper with a hue other than white that reflects one of the primary colors of magenta, yellow, and cyan (red, yellow, and blue) or a combination of such primary colors.

shall be considered “printed with final content” where at least one side of the sheet has printed text and/or graphics that cover at least five percent of the surface area of the entire sheet.

Imports of the subject merchandise are provided for under Harmonized Tariff Schedule of the United States (HTSUS) categories 4802.56.1000, 4802.56.2000, 4802.56.3000, 4802.56.4000, 4802.56.6000, 4802.56.7020, 4802.56.7040, 4802.57.1000, 4802.57.2000, 4802.57.3000, and 4802.57.4000. Some imports of subject merchandise may also be classified under 4802.62.1000, 4802.62.2000, 4802.62.3000, 4802.62.5000, 4802.62.6020, 4802.62.6040, 4802.69.1000, 4802.69.2000, 4802.69.3000, 4811.90.8050 and 4811.90.9080. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope is dispositive.

Initiation of Minor Alterations Anti-Circumvention Proceeding

Statutory Criteria for Initiation of Anti-Circumvention Proceeding Under Section 781(c) of the Act

Section 781(c)(1) of the Act provides that the Department may find circumvention of an AD and/or CVD order when products which are of the class or kind of merchandise subject to an AD and/or CVD order have been “altered in form or appearance in minor respects . . . whether or not included in the same tariff classification.” Section 781(c)(2) of the Act provides an exception that “{p}aragraph 1 shall not apply with respect to altered merchandise if the administering authority determines that it would be unnecessary to consider the altered merchandise within the scope of the {AD or CVD} order{.}”

While the statute is silent as to what factors to consider in determining whether alterations are properly considered “minor,” the legislative history of this provision indicates that there are certain factors which should be considered before reaching a circumvention determination. In conducting a circumvention inquiry under section 781(c) of the Act, the

Department has generally relied upon “such criteria as the overall physical characteristics of the merchandise, the expectations of the ultimate users, the use of the merchandise, the channels of marketing and the cost of any modification relative to the total value of the imported products.”⁷ Concerning the allegation of minor alteration under section 781(c) of the Act and 19 CFR 351.225(i), the Department examines such factors as: 1) overall physical characteristics; 2) expectations of ultimate users; 3) use of merchandise; 4) channels of marketing; and 5) cost of any modification relative to the value of the imported products.⁸ Each case is highly dependent on the facts on the record, and must be analyzed in light of those specific facts. Thus, although not specified in the Act, the Department has also included additional factors in its analysis, such as commercial availability of the product at issue prior to the issuance of the order as well as the circumstances under which the products at issue entered the United States, the timing and quantity of said entries during the circumvention review period, and the input of consumers in the design phase of the product at issue.⁹

The Petitioners’ Request for Initiation of an Anti-Circumvention Proceeding Under Section 781(c) of the Act

As discussed above, the petitioners identify the product subject to their request as 83 Bright paper. Specifically, the petitioners state that, after the issuance of the preliminary determinations, APP, one of the major Indonesian producers of uncoated paper, began exporting 8½ inch by 11 inch copier paper with a GE brightness level of 83, called “Paperline Classic,”

⁷ See S. Rep. No.71, 100th Cong., 1st Sess. 100 (1987) (“In applying this provision, the Commerce Department should apply practical measurements regarding minor alterations, so that circumvention can be dealt with effectively, even where such alterations to an article technically transform it into a differently designated article.”).

⁸ See, e.g., *Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Steel Plate from the People's Republic of China*, 74 FR 33991, 33992 (July 14, 2009) (*CTL Plate from the PRC*) (unchanged in *Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China*; 74 FR 40565 (August 12, 2009)).

⁹ See, e.g., *CTL Plate from the PRC*, 74 FR at 33992-33993.

from Indonesia to the West Coast of the United States. The petitioners obtained and tested a sample of this paper, demonstrating that it has a GE brightness level of 83.¹⁰

The petitioners also provided a bill of lading supporting their claim that imports of the 83 Bright paper were classified under HTSUS category 4802.56.4000 - a category identified as subject to the *Orders*.¹¹ According to the petitioners, APP first imported 83 Bright paper in February 2016 and, to date, there have been numerous entries of this product totaling 2,300 metric tons.¹² The petitioners argue that APP is adding black dye to the pulp to create a paper product which does not meet the brightness level of uncoated paper covered by the scope of the *Orders*, but is otherwise subject merchandise. The petitioners assert that, as a result, 83 Bright paper represents a minor alteration of subject merchandise, which is thereby circumventing the *Orders* pursuant to section 781(c) of the Act. Although the petitioners noted that the Court of Appeals for the Federal Circuit has held that minor alteration inquiries are inappropriate when the allegedly altered product is expressly excluded from an order, they claim that such is not the case here, where 83 Bright paper is not expressly excluded from the order.¹³

In the Initiation Request, the petitioners presented the following evidence with respect to each of the aforementioned criteria:

A. Overall Physical Characteristics

The petitioners state that 83 Bright paper is nearly identical to other uncoated paper in the market – it has the same dimensions, the same basis weight, and is advertised for the same

¹⁰ See Initiation Request at 3.

¹¹ *Id.*, at 5.

¹² *Id.*

¹³ See Initiation Request at 12, citing to *Deacero S.A. de C.V. v. United States*, 817 F.3d 1332, 1338 (Fed. Cir. 2016) (*Deacero*).

printing and copying purposes.¹⁴ The petitioners assert that the only difference between 83 Bright paper and paper covered by the scope of the *Orders* is the paper's GE brightness level.¹⁵ In support of their allegation, the petitioners provide a declaration from a member of the U.S. industry.¹⁶

B. Expectations of the Ultimate Users

The petitioners assert that the expectations of the ultimate users of 83 Bright paper and other uncoated paper covered by the scope of the *Orders* are exactly the same. Specifically, the petitioners state that 83 Bright paper is advertised for use in the same printing and copying applications as other uncoated paper covered by the scope of the *Orders*.¹⁷ In support of their allegation, the petitioners provide a declaration from a member of the U.S. industry.¹⁸

C. Use of Merchandise

The petitioners assert that 83 Bright paper is used in printing and copying applications, similar to other uncoated paper covered by the *Orders*.¹⁹ The petitioners also claim that the brightness of 83 Bright paper has no apparent impact on its ultimate use.²⁰ In support of their allegation, the petitioners provide a declaration from a member of the U.S. industry.²¹

¹⁴ See Initiation Request at 14 and Exhibit 2.

¹⁵ *Id.*, at 15.

¹⁶ *Id.*, at Exhibit 2.

¹⁷ *Id.*, at 15 and Exhibit 2.

¹⁸ *Id.*, at Exhibit 2.

¹⁹ *Id.*, at 3.

²⁰ *Id.*, at 15.

²¹ *Id.*, at Exhibit 2.

D. Channels of Marketing

The petitioners assert that the marketing channels for 83 Bright paper and other uncoated paper covered by the *Orders* are the same.²² The petitioners provided documentation demonstrating that 83 Bright paper is offered to the same customers and in the same manner.²³ According to the petitioners, this demonstrates that GE brightness level does not affect the marketing channel in which the paper is sold and that for end-users these products are interchangeable.

E. Cost of Modification Relative to Total Value

The petitioners assert that the cost of the minor alteration necessary to shift the GE brightness level of 83 Bright paper is minimal.²⁴ Moreover, the petitioners state that the increased costs are insignificant both when compared to either the total value of the imported product or APP's combined AD/CVD cash deposit rate.²⁵ In support of their allegation, the petitioners provide a declaration from a member of the U.S. industry.²⁶

APP responded to the petitioners' allegations, noting that merchandise with a brightness level comparable to 83 Bright paper was produced and sold in commercial volumes at the time of the filing of the petitions and, thus, it cannot be considered later-developed merchandise.²⁷ In addition, APP stated the following regarding each criteria under section 781(c) of the Act:

A. Overall Physical Characteristics

²² See Initiation Request at 15.

²³ *Id.*, at 15-16 and Exhibits 10 and 11.

²⁴ *Id.*, at Exhibit 1.

²⁵ *Id.*, at 17 and Exhibit 2.

²⁶ *Id.*, at Exhibit 1.

²⁷ See Letter from APP entitled, "Certain Uncoated Paper From Australia, Brazil, The People's Republic of China, Indonesia, and Portugal – Response to Request for Inquiry" dated August 19, 2016 (APP Response), at 10 and Exhibit 3.

APP states that there are numerous and significant physical differences between 83 Bright paper and other uncoated paper covered by the *Orders* in addition to GE brightness, including whiteness, bleaching chemicals, shade, and opacity.²⁸ Further, APP explains that optical brightening agents (OBAs) are often added during production to increase the GE brightness of paper. APP considers it significant that its 83 Bright paper is produced without adding OBAs and, thus, is “OBA-free.”^{29,30}

B. Expectations of the Ultimate Users

APP disagrees that the expectations of the ultimate users of 83 Bright paper are the same as users of other uncoated paper covered by the *Orders*. According to APP, users of 83 Bright paper expect to benefit from reduced eyestrain, cost savings, and appreciate the generally warmer tones of this paper.³¹ Further, APP notes that certain purchasers of paper covered by the *Orders* require photocopy paper with a minimum GE brightness of 92 and, thus, 83 Bright paper would not meet the requirements of such purchasers.³²

C. Use of the Merchandise

APP states that 83 Bright paper is best for black-and-white copier applications and not suitable for ink- or laser-jet printing.³³

²⁸ See APP Response at 24.

²⁹ *Id.*, at Exhibit 7.

³⁰ APP noted that the petitioners incorrectly described the production process for 83 Bright paper. Specifically, APP stated that black dye is not added during the production process and, as a result, 83 Bright paper cannot be considered colored paper. See APP Response at 5 and Exhibit 2.

³¹ See APP Response at 26.

³² *Id.*, at 24-25.

³³ *Id.*, at 27-28.

D. Channels of Marketing

APP claims that 83 Bright paper is marketed differently from other uncoated paper covered by the *Orders* because it is advertised as a lower brightness product produced to reduce eyestrain, manufactured for 2-sided copying, and is OBA Free.³⁴

E. Cost of Modification Relative to Total Value

APP states that 83 Bright paper is not produced with additional OBAs and contains fewer bleaching chemicals. As a result, APP notes that it is less expensive to produce than other uncoated paper cover by the *Orders*.³⁵

Analysis

After analyzing the information summarized above, we determine that the petitioners have satisfied the criteria to warrant an initiation of a formal anti-circumvention inquiry, pursuant to section 781(c) of the Act and 19 CFR 351.225(i).

As described above, the petitioners included declarations from members of the U.S. industry addressing the five factors the Department typically examines as part of a minor alterations inquiry under section 781(c) of the Act and 19 CFR 351.225(i). These declarations attest that: (1) With the exception of brightness, the overall physical characteristics of 83 Bright paper and other uncoated paper cover by the *Orders* are the same; (2) the expectations of ultimate users of 83 Bright paper and other uncoated paper cover by the *Orders* are the same; (3) the uses of 83 Bright paper and other uncoated paper cover by the *Orders* are the same; (4) the channels of marketing 83 Bright paper and other uncoated paper cover by the *Orders* are the same; and (5) the relative cost to reduce the brightness of 83 Bright paper to a GE brightness

³⁴ *Id.*, at 29.

³⁵ *Id.*, at 30.

level below 85 is minimal.³⁶ We examined the declarations and found that the persons making them are in a position to have knowledge about the facts described in the declarations with respect to each of the aforementioned factors.

However, we note that APP provided information demonstrating the relative cost of producing 83 Bright paper and the process by which it is produced which differs from that provided by the petitioners. Specifically, by APP's own admission, 83 Bright paper is less expensive to produce because it does not contain the OBAs needed to raise the paper's brightness level to 85 or above and has fewer bleaching chemical than other uncoated paper covered by the *Orders*. Thus, there is an evidentiary basis to conclude that APP has altered its production process in order to produce a low-brightness paper.³⁷

As noted above, we are initiating a minor alterations anti-circumvention inquiry pursuant to section 781(c) of the Act regarding 83 Bright paper. We do not find it appropriate to initiate a later-developed merchandise circumvention inquiry pursuant to section 781(d) of the Act because APP provided information demonstrating that merchandise with a brightness level comparable to 83 Bright paper was produced and sold in commercial volumes at the time of the filing of the petitions and, thus, 83 Bright paper cannot be considered later-developed merchandise.³⁸ Finally, we do not find it appropriate to initiate a scope inquiry pursuant to 19 CFR 351.225(k) because APP provided information demonstrating that 83 Bright paper is not colored paper.³⁹

³⁶ See Initiation Request at Exhibits 1 and 2.

³⁷ *Id.*

³⁸ See APP Response at 10 and Exhibit 3.

³⁹ See APP Response at 5 and Exhibit 2.

Merchandise Subject to the Minor Alterations Anti-Circumvention Proceeding

This minor alterations anti-circumvention inquiry covers uncoated paper with a GE brightness level of 83 +/- 1. Although only APP Indonesia is discussed in their request, as discussed above, the petitioners clarified that, consistent with 19 CFR 351.225(m), the intent of their request was that the Department conduct a single inquiry and issue a single ruling applicable to each of the *Orders*. In accordance with 19 CFR 351.225(m), if the Secretary considers it appropriate, the Secretary may conduct a single inquiry and issue a single scope ruling that applies to all such orders. Therefore, we will examine whether it is appropriate to apply the results of this inquiry to each of the seven *Orders*.

The Department will not order the suspension of liquidation of entries of any additional merchandise at this time. However, in accordance with 19 CFR 351.225(l)(2), if the Department issues a preliminary affirmative determination, we will then instruct U.S. Customs and Border Protection to suspend liquidation and require a cash deposit of estimated duties on the merchandise.

Following consultation with interested parties, the Department will establish a schedule for questionnaires and comments on the issues related to each of the *Orders*. The Department intends to issue its final determinations within 300 days of the date of publication of this initiation.

This notice is published in accordance with sections 781(c) of the Act and 19 CFR
351.225(i) and (j).

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

October 31, 2016_____

(Date)

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