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MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Import Administration

FROM: Gary Taverman
Senior Advisor
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping Duty Administrative Review: Seamless Refined Copper Pipe and Tube from Mexico

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SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on seamless refined copper pipe and tube (pipe and tube) from Mexico. The review covers two producers/exporters of the subject merchandise, GD Affiliates S. de R.L. de C.V. (MXGD)/Hong Kong GD Trading Co., Ltd. (HKGD) (collectively, Golden Dragon)[1] and Nacional de Cobre, S.A. de C.V. (Nacobre). The period of review (POR) is May 1, 2011, through October 31, 2011, for Golden Dragon[2] and November 22, 2010, through October 31, 2011, for Nacobre. We have preliminarily found that sales of the subject merchandise have not been made at prices below normal value (NV).

BACKGROUND

In November 2010, the Department published in the Federal Register an antidumping duty order on pipe and tube from Mexico. See Seamless Refined Copper Pipe and Tube From Mexico and the People's Republic of China: Antidumping Duty Orders and Amended Final Determination of Sales at Less Than Fair Value From Mexico, 75 FR 71070 (Nov. 22, 2010). Subsequently, on

[1] The Department initiated a review for two companies in the Golden Dragon group: Hong Kong GD Trading Co. Ltd. and GD Affiliates S. de R.L. de C.V.

[2] Because we reviewed entries in the new shipper review for Golden Dragon covering the period November 22, 2010, through April 30, 2011, we are only reviewing Golden Dragon's entries covering the period May 1, 2011, through October 31, 2011. See Seamless Refined Copper Pipe and Tube From Mexico: Final Results of Antidumping Duty New Shipper Review, 77 FR 59178 (Sept. 26, 2012) (Golden Dragon New Shipper Review).

November 1, 2011, the Department published in the Federal Register a notice of opportunity to request an administrative review of the antidumping duty order on pipe and tube from Mexico for the period November 22, 2010, through October 31, 2011. See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review, 76 FR 67413 (Nov. 1, 2011).

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b)(1), in November 2011, the Department received requests to conduct an administrative review of the antidumping order on pipe and tube from Mexico from the petitioners (Cerro Flow Products, LLC, Wieland Copper Products, LLC, Mueller Copper Tube Products, Inc., and Mueller Copper Tube Company, Inc.) for the following companies: for IUSA, S.A. de C.V. (IUSA), Golden Dragon, and Nacobre. In accordance with 19 CFR 351.213(b)(2), also in November 2011, the Department received requests to conduct an administrative review from Golden Dragon and Nacobre.

In December 2011, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review for IUSA, Golden Dragon, and Nacobre. See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part, 76 FR 82268 (Dec. 30, 2011).

On February 6, 2012, the petitioners withdrew their review requests for IUSA, Golden Dragon, and Nacobre. On February 8, 2012, we issued questionnaires to Golden Dragon and Nacobre. On February 22, 2012, we rescinded the administrative review of IUSA pursuant to 19 CFR 351.213(d)(1). See Seamless Refined Copper Pipe and Tube From Mexico: Notice of Partial Rescission of Antidumping Duty Administrative Review, 77 FR 10476 (Feb. 22, 2012).

In March and April 2012, we received responses to the Department's questionnaire from Golden Dragon and Nacobre.

Also in April 2012, the petitioners filed a company-specific sales-below-cost allegation for Golden Dragon, and we initiated a sales-below-cost investigation for this company in May 2012. See Memorandum from the team to Melissa Skinner, Director, Office 3, entitled, "The Domestic Producers' Allegation of Sales Below the Cost of Production for GD Affiliates S. de R.L. de C.V., Golden Dragon Precise Copper Tube Group, Inc., and GD Copper (U.S.A)," dated May 29, 2012 ("Golden Dragon Cost Investigation Memo").

From May 2012 through November 2012, we issued supplemental sales and cost questionnaires to Golden Dragon and Nacobre. We received responses to these supplemental questionnaires from June 2012 through November 2012.

On June 18, 2012, the petitioners filed targeted dumping allegations against Golden Dragon and Nacobre. On June 19, 2012, we extended the deadline for the preliminary results by 120 days, to November 29, 2012. See Memorandum for Melissa Skinner, Director, Office 3 to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, entitled, "Seamless Refined Copper Pipe and Tube from Mexico: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review," dated June 19, 2012.

Nacobre filed a response to the petitioners' targeted dumping allegation on June 27, 2012. The petitioners submitted additional targeted dumping comments on August 7, 2012, and Nacobre responded on August 15, 2012.

As explained in the memorandum from the Assistant Secretary for Import Administration, the Department has exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29 through October 30, 2012. Thus, all deadlines in this segment of the proceeding have been extended by two days. The revised deadline for the preliminary results of this review is now December 3, 2012.[3] See Memorandum to the Record from Paul Piquado, Assistant Secretary for Import Administration, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During the Recent Hurricane," dated October 31, 2012.

We are conducting the administrative review of the order in accordance with section 751(a) of the Act.

SCOPE OF THE ORDER

The products covered by the order are all seamless refined copper pipes and tubes, including redraw hollows, greater than or equal to 6 inches (152.4 mm) in length and measuring less than 12.130 inches (308.102 mm) (actual) in outside diameter (OD), regardless of wall thickness, bore (e.g., smooth, enhanced with inner grooves or ridges), manufacturing process (e.g., hot finished, cold-drawn, annealed), outer surface (e.g., plain or enhanced with grooves, ridges, fins, or gills), end finish (e.g., plain end, swaged end, flared end, expanded end, crimped end, threaded), coating (e.g., plastic, paint), insulation, attachments (e.g., plain, capped, plugged, with compression or other fitting), or physical configuration (e.g., straight, coiled, bent, wound on spools).

The scope of the order covers, but is not limited to, seamless refined copper pipe and tube produced or comparable to the American Society for Testing and Materials (ASTM) ASTM-B42, ASTM-B68, ASTM-B75, ASTM-B88, ASTM-B88M, ASTM-B188, ASTM-B251, ASTM-B251M, ASTM-B280, ASTM-B302, ASTM-B306, ASTM-359, ASTM-B743, ASTM-B819, and ASTM-B903 specifications and meeting the physical parameters described therein. Also included within the scope of the order are all sets of covered products, including "line sets" of seamless refined copper tubes (with or without fittings or insulation) suitable for connecting an outdoor air conditioner or heat pump to an indoor evaporator unit. The phrase "all sets of covered products" denotes any combination of items put up for sale that is comprised of merchandise subject to the scope.

"Refined copper" is defined as: (1) Metal containing at least 99.85 percent by weight of copper; or (2) metal containing at least 97.5 percent by weight of copper, provided that the content by weight of any other element does not exceed the following limits:

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3 Because the tolled deadline of December 1 fall on a Saturday, the preliminary results of review are due the next business day, i.e., December 3. See Notice of Clarification: Application of "Next Business Day" Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended, 70 FR 24533 (May 10, 2005).

ELEMENT	LIMITING CONTENT PERCENT BY WEIGHT
Ag - Silver	0.25
As - Arsenic	0.5
Cd - Cadmium	1.3
Cr - Chromium	1.4
Mg - Magnesium	0.8
Pb - Lead	1.5
S - Sulfur	0.7
Sn - Tin	0.8
Te - Tellurium	0.8
Zn - Zinc	1.0
Zr - Zirconium	0.3
Other elements (each)	0.3

Excluded from the scope of the order are all seamless circular hollows of refined copper less than 12 inches in length whose OD (actual) exceeds its length. The products subject to the order are currently classifiable under subheadings 7411.10.1030 and 7411.10.1090 of the Harmonized Tariff Schedule of the United States (HTSUS). Products subject to the order may also enter under HTSUS subheadings 7407.10.1500, 7419.99.5050, 8415.90.8065, and 8415.90.8085. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.

DISCUSSION OF THE METHODOLOGY

Fair Value Comparisons

Pursuant to section 773(a)(1)(B)(ii) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether Golden Dragon's and Nacobre's sales of pipe and tube from Mexico were made in the United States at less than NV, we compared the constructed export price (CEP) to the NV as described in the "Constructed Export Price" and "Normal Value" sections of this notice. Based on the results of our targeted dumping analysis, we found that it was appropriate for the Department to apply the average-to-average comparison methodology adopted in the Final Modification for Reviews.[4] In particular, the Department compared monthly, weighted-average CEPs with monthly, weighted-average NVs, and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margins.

When making these comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the "Scope of the Order" section of this notice, above, that were in the ordinary course of trade for purposes of determining an appropriate product comparison to the U.S. sale. If contemporaneous sales of identical home market merchandise, as described below, were reported, then we made comparisons to the monthly weighted-average home market prices that were based on all such sales. If there were no contemporaneous sales of identical merchandise, then we identified sales of the most similar

[4] See Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings: Final Modification, 77 FR 8101 (Feb. 14, 2012) (Final Modification for Reviews).

merchandise that were contemporaneous with the U.S. sales in accordance with 19 CFR 351.414(e).

Golden Dragon argues that, in determining what constitutes a contemporaneous match for its sales, the Department should take into account the date that the copper price for the sale is fixed (i.e., the "metal date"). Golden Dragon argued that for some original equipment manufacturer (OEM) customers, Golden Dragon's U.S. affiliate has an agreement[5] indicating the metal price and the fabrication charge. Golden Dragon explained that the price of copper is treated as a pass through and the customer indicates the basis on which the metal should be priced. Moreover, Golden Dragon argued further that the price of copper fluctuates daily and, since the metal date establishes the key component of the transaction, the metal date must be considered in the Department's matching. Golden Dragon argued that the Department took metal dates into account when setting its matching methodology in the 2010 review of Brass Sheet and Strip from Germany,[6] and thus there is precedent for such an action here. However, as noted in the "Cost of Production Analysis" section below, we do not find that this case warrants a departure from our normal cost calculation methodology. Therefore, there is no reason take into consideration the metal date in our comparison of U.S. sales to home market sales with the same metal exchange date.

Targeted Dumping

In antidumping investigations, the Department examines whether to use the average-to-transaction method by using a targeted dumping analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of an administrative review, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in an administrative review is, in fact, analogous to the issue in antidumping investigations. Accordingly, the Department finds the analysis that has been used in antidumping investigations may be instructive for purposes of examining whether to apply the average-to-transaction method in this administrative review.

In recent antidumping investigations and administrative reviews where the Department has addressed targeted dumping allegations, the Department has employed the Nails test[7] for each

[5] Golden Dragon explained that for these agreements the buyer and seller agree to fix the price of the copper component of the tube based on published prices on a global commodity exchange such as the London Metal Exchange (LME). See Golden Dragon's April 16, 2012, submission at D-18.

[6] See Brass Sheet and Strip from Germany: Amended Final Results of Antidumping Duty Administrative Review, 75 FR 66347 (Oct. 28, 2010), and accompanying Issues and Decision Memorandum at Comment 1 (Brass Sheet and Strip from Germany).

[7] See Certain Steel Nails from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances, 73 FR 33977 (June 16, 2008) and Certain Steel Nails from the United Arab Emirates: Notice of Final Determination of Sales at Not Less Than Fair Value, 73 FR 33985 (June 16, 2008) (collectively, Nails), as modified in more recent investigations, e.g., Multilayered Wood Flooring From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 76 FR 64318 (Oct. 18, 2011); see also Mid Continent Nail Corp. v. United States, Slip. Op. 2010-47 (CIT 2010) and Mid Continent Nail Corp. v. United States, Slip. Op. 2010-48 (CIT 2010).

respondent subject to an allegation.[8] The Department in the Preliminary Results of this administrative review for Golden Dragon and Nacobre has applied the Nails test, a two-step process as described below, in order to consider whether to use the average-to-transaction method so that parties may comment on this approach.

In the first stage of the test, the "standard deviation test," the Department determined the share of alleged targeted group's sales of subject merchandise (by sales volume) that are at prices more than one standard deviation below the weighted-average price of all sales under review, targeted and non-targeted. The Department calculated the standard deviation on a product-specific basis (i.e., by control number (CONNUM)) using the weighted-average prices for the alleged targeted groups and the groups not alleged to have been targeted. If that share did not exceed 33 percent, then the Department did not conduct the second stage of the Nails test. If that share exceeded 33 percent, on the other hand, then we proceeded to the second stage of the Nails test.

In the second stage, the "gap test," the Department examined all sales of identical merchandise (i.e., by CONNUM) sold to the alleged targeted group which passed the standard deviation test. From those sales, the Department determined the total volume of sales for which the difference between the weighted-average price of sales to the alleged targeted group and the next higher weighted-average price of sales to a non-targeted group exceeds the average price gap (weighted by sales volume) between the non-targeted groups. The Department weighted each of the price gaps between the non-targeted groups by the combined sales volume associated with the pair of prices for the non-targeted groups that defined the price gap. If the share of the sales that met this test exceeded five percent of the total sales volume of subject merchandise to the alleged targeted group, then the Department considered these sales to have been targeted**.**

If the Department's two-step analysis confirmed the allegation of targeting and sufficient sales were found to have been targeted (i.e., to have passed the two-step Nails test), then the Department considered whether the average-to-average method could take into account the observed price differences. To do this, the Department evaluated the difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using the average-to-transaction method. Where there was a meaningful difference between the results of the average-to-average method, then the Department would find that the average-to-average method could not take into account the observed price differences, and the average-to-transaction method would be used to calculate the weighted-average margin of dumping for the respondent in question.

Results of the Targeted Dumping Analysis

The Department preliminarily finds, for Golden Dragon, that a pattern of CEPs for comparable merchandise that differ significantly among purchasers and regions does not exist, and, therefore, the Department has not considered whether the average-to-average method can

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[8] See, e.g., Polyethylene Retail Carrier Bags from Taiwan: Final Determination of Sales at Less Than Fair Value, 75 FR 14569 (Mar. 26, 2010); Certain Oil Country Tubular Goods from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, Affirmative Final Determination of Critical Circumstances and Final Determination of Targeted Dumping, 75 FR 20335 (Apr. 19, 2010); and Certain Coated Paper Suitable for High- Quality Print Graphics Using Sheet-Fed Presses From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 75 FR 59217 (Sept. 27, 2010).

account for the observed price differences. Accordingly, the Department determines, pursuant to 19 CFR 351.414(c)(1), to calculate the weighted-average dumping margin for Golden Dragon using the average-to-average method for these preliminary results.

For Nacobre, the Department preliminarily finds that a pattern of CEPs for comparable merchandise that differ significantly among regions and time periods does not exist, and, therefore, the Department has not considered whether the average-to-average method can take into account the observed price differences. Accordingly, the Department determines, pursuant to 19 CFR 351.414(c)(1), to calculate the weighted-average dumping margin for Nacobre using the average-to-average method for these preliminary results.

Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by Golden Dragon and Nacobre and sold in the U.S. and home markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are 1) type and ASTM specification; 2) copper alloy unified number system; 3) outer diameter; 4) wall thickness; 5) physical form; 6) temper designation; 7) bore; 8) outer surface; and 9) attachments.

Date of Sale

Section 351.401(i) of the Department's regulations states that, normally, the Department will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale.

In Golden Dragon's response to the Department's questionnaire, Golden Dragon explained that it reported the invoice date as the date of sale in both markets because the quantity of each transaction is not fixed until the shipment is made or, in the case of consignment sales, the product is withdrawn by the customer.[9] Accordingly, we preliminarily find invoice date to be the appropriate date of sale with respect to Golden Dragon's sales to the U.S. and home market, unless shipment occurred prior to invoice date. Consistent with the Department's practice, we used the shipment date as the date of sale where the shipment date occurred before the invoice date because the quantity is fixed at the time of shipment. See Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review, 71 FR 18074, 18079-80 (Apr. 10, 2006), unchanged in Stainless Steel Sheet and Strip in Coils from the Republic of Korea; Final Results and Rescission of Antidumping Duty Administrative Review in Part, 72 FR 4486 (Jan. 31, 2007) (SSSSC from Korea), and the accompanying Issues and Decision Memorandum at Comments 4 and 5.

Regarding the date of sale for Nacobre's home market and U.S. sales, Nacobre reported that it made two types of sales in both markets during the POR: 1) sales made pursuant to "fixed price" quotes where Nacobre stated that the price was fixed at the time of the customer's order; and 2) sales made under "price in effect" agreements, where Nacobre stated that the price is dependent on the market price of copper on the date the invoice is issued. Nacobre stated that it reported the invoice date as the date of sale for "price in effect" sales. However, for "fixed price" sales,

[9] See Golden Dragon's March 30, 2012, submission at A-17.

Nacobre reported the date it entered the order into its computer system as the date of sale. As noted above, 19 CFR 351.401(i) provides that the Department may use a date other than the date of invoice if the different date better reflects the date on which the material terms of sale are established. In this instance, we find that the essential terms of sale are not set as of the date of order entry because Nacobre stated that the actual shipment quantity changed by more than a ten percent tolerance from the original order quantity for certain home market and U.S. sales.[10] Accordingly, we find it appropriate to use invoice date as the date of sale for Nacobre's home market and U.S. sales, except in those instances where shipment occurred prior to the invoice date. Consistent with the Department's practice, we used the shipment date as the date of sale where the shipment date occurs before the invoice date because the price and quantity are fixed at the time of shipment. See, e.g., SSSSC from Korea and the accompanying Issues and Decision Memorandum at Comments 4 and 5.

Constructed Export Price

In accordance with section 772(b) of the Act, we used CEP for Golden Dragon and Nacobre because the subject merchandise was sold in the United States by a U.S. seller affiliated with the producer and export price was not otherwise indicated.

The Department's normal practice for CEP sales is to review each transaction which has a date of sale during the POR. See Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27314-15 (May 19, 1997) (Preamble). However, in the Preamble, 62 FR at 27314 (discussing 19 CFR 351.212(b)(1)), the Department recognized that "{s}ales of merchandise that can be demonstrably linked with entries prior to the suspension of liquidation are not subject merchandise and therefore not subject to review by the Department. Merchandise that entered the United States prior to the suspension of liquidation (and in the absence of an affirmative critical circumstances finding) is not subject merchandise within the meaning of section 771(25) of the Act." See also Certain Stainless Wire Rods From France: Final Results of Antidumping Duty Administrative Review, 61 FR 47874, 47875-47876 (Sept. 11, 1996); Certain Frozen Warmwater Shrimp From the People's Republic of China: Notice of Final Results and Rescission, in Part, of 2004/2006 Antidumping Duty Administrative and New Shipper Reviews, 72 FR 52049 (Sept. 12, 2007), and accompanying Issues and Decision Memorandum at Comment 10, and Certain Orange Juice from Brazil: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 73 FR 46584 (Aug. 11, 2008), and accompanying Issues and Decision Memorandum at Comment 4. In this case, Nacobre demonstrated that certain U.S. sales were linked with entries prior to the suspension of liquidation. See Exhibit SSC-3 of Nacobre's November 9, 2012, response. Therefore, in accordance with the Department's practice, we have excluded from our analysis Nacobre's U.S. sales which entered prior to the suspension of liquidation because they are not subject merchandise within the meaning of section 771(25) of the Act.

With respect to Golden Dragon, the Department conducted a new shipper review for this respondent covering the period November 22, 2010, through April 30, 2011.[11] Because we have already reviewed Golden Dragon's entries of subject merchandise for this period, the POR for

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[10] See Nacobre's June 8, 2012, submission at 27.

[11] See Golden Dragon New Shipper Review.

Golden Dragon in this administrative review is May 1, 2011, through October 31, 2011, in accordance with the Department's practice. See Static Random Access Memory Semiconductors From Taiwan; Final Results and Partial Rescission of Antidumping Duty Administrative Review, 65 FR 55005 (Sept. 12, 2000).

A. *Golden Dragon*

In the new shipper review for Golden Dragon, we adjusted Golden Dragon's gross unit price to account for an amount determined by agreement with the company's U.S. customers.[12] However, we have determined that a similar adjustment is not warranted in this POR, based on information contained on the record of this review. Because the circumstances surrounding this adjustment are business proprietary in nature, for further discussion, see Memorandum from Dennis McClure, Senior Analyst, to the File entitled, "Calculations Performed for GD Affiliates S. de R.L. de C.V. and its affiliate Hong Kong GD Trading Co., Ltd. (collectively, Golden Dragon) for the Preliminary Results of the Antidumping Duty Administrative Review of Seamless Refined Copper Pipe and Tube from Mexico" dated concurrently with this notice (GD Calculation Memo).

We calculated CEP based on the delivered or customer pick-up price to unaffiliated purchasers in the United States. Where appropriate, we made deductions for international freight, inland insurance, U.S. warehouse expenses, and U.S. brokerage and handling expenses, in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States, which includes direct selling expenses (imputed credit expenses) and indirect selling expenses (inventory carrying costs and other indirect selling expenses). Because Golden Dragon had no U.S. dollar-denominated borrowing during the POR, we recalculated Golden Dragon's U.S. credit expenses and inventory carrying costs incurred in the United States to use a simple average of the Federal Reserve POR borrowing rates for commercial and industrial loans maturing between one month and one year from the time the loan is made.[13] Finally, we made an adjustment for profit allocated to these expenses in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Golden Dragon and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.

B. *Nacobre*

We calculated CEP based on the delivered price to unaffiliated purchasers in the United States. Where appropriate, we made deductions for billing adjustments and early payment discounts. We also made deductions, where appropriate, for foreign inland freight expenses, foreign warehousing expenses, foreign inland insurance expenses, foreign brokerage and handling expenses, U.S. brokerage and handling expenses, U.S. warehousing expenses, and U.S. inland

[12] See id at Comment 2 (business proprietary version).

[13] See GD Calculation Memo.

freight expenses in accordance with section 772(c)(2)(A) of the Act. Regarding foreign inland freight, Nacobre used an affiliated party, Logtec S.A. de C.V. (Logtec), to arrange these services with unaffiliated freight providers for which it charged Nacobre the unaffiliated freight expense amount plus a markup. Similarly, regarding foreign brokerage and handling, Nacobre also used Logtec to arrange these services with unaffiliated brokers. We adjusted these expenses to base them on Logtec's costs because Nacobre was not able to substantiate the arm's-length nature of them.[14]

In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit expenses) and indirect selling expenses (inventory carrying costs and other indirect selling expenses). Because Nacobre had no U.S. dollar-denominated borrowings during the POR, we recalculated Nacobre's U.S. credit expenses using a simple average of the Federal Reserve POR borrowing rates for commercial and industrial loans maturing between one month and one year from the time the loan is made.[15] Finally, we made an adjustment for profit allocated to these expenses in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Nacobre and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.

Normal Value

A. *Home Market Viability as Comparison Market*

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compared the volume of Golden Dragon's and Nacobre's respective home market sales of the foreign like product to the volume of their U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Based on this comparison, we determined that both respondents had viable home markets during the POR.[16]

B. *Level of Trade*

To the extent practicable, we determined NV for sales at the same level of trade (LOT) as the U.S. sales. When there were no sales at the same LOT, we compared U.S. sales to home market sales at a different level of trade. The NV LOT is that of the starting price sales in the home market. For CEP, the LOT is that of the constructed sale from the exporter to the affiliated

[14] See Memorandum from Elizabeth Eastwood, Senior Analyst, to the File entitled, "Calculations Performed for Nacional de Cobre, S.A. de C.V. (Nacobre) for the Preliminary Results of the Antidumping Duty Administrative Review of Seamless Refined Copper Pipe and Tube from Mexico" dated concurrently with this notice (Nacobre Calculation Memo).

[15] See the Nacobre Calculation Memo.

[16] See Golden Dragon's March 30, 2012, submission at Exhibit A-1; and Nacobre's April 10, 2012, submission at Exhibit A-1.

importer. To determine whether home market sales are at a different LOT than U.S. sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the home market sales are at a different LOT and the differences affect price comparability, as manifested in a pattern of consistent price differences between sales at different LOTs in the country in which NV is determined, we will make an LOT adjustment under section 773(a)(7)(A) of the Act. For CEP sales, if the NV LOT is at a more advanced stage of distribution than the CEP LOT, and the data available do not provide an appropriate basis to determine an LOT adjustment, we will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.[17] Company-specific LOT findings are summarized below.

1. Golden Dragon

Golden Dragon reported that it made CEP sales during the POR through two channels of distribution in the United States (i.e., sales picked up by the customer from the U.S. affiliate (Channel 1) and consignment sales (Channel 2)). Golden Dragon also reported one customer type (i.e., OEMs) and that the selling functions it performed did not vary by the channel of distribution. In our analysis, we examined the selling activity outside of the United States and found that Golden Dragon performed the following selling functions: packing, order input/processing, freight and delivery, and inventory maintenance.[18]

Selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery; 3) inventory maintenance and warehousing; and 4) warranty and technical support. See Certain Orange Juice From Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part, 75 FR 50999 (Aug. 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (OJ from Brazil); and Certain Frozen Warmwater Shrimp From India: Preliminary Results and Preliminary Partial Rescission of Antidumping Duty Administrative Review, 74 FR 9991, 9996 (Mar. 9, 2009), unchanged in Certain Frozen Warmwater Shrimp from India: Final Results and Partial Rescission of Antidumping Duty Administrative Review, 74 FR 33409 (July 13, 2009) (Shrimp from India). Based on these selling function categories, we find that Golden Dragon performed sales and marketing, freight and delivery services, and inventory maintenance and warehousing support for U.S. sales. Because the selling activities did not differ between Channels 1 and 2, we preliminarily determine that there is one LOT in the U.S. market.

With respect to the home market, Golden Dragon reported that it made sales to home market customers through both MXGD in Mexico and the U.S. affiliate, GD Copper (U.S.A.) (USGD), in the United States through three channels of distribution (i.e., sales shipped directly to the U.S. customer, sales picked up by the customer from the U.S. affiliate, and consignment sales). In a supplemental questionnaire, we requested that Golden Dragon separately report the selling functions performed by each of these entities. In response, Golden Dragon reported sales

[17] See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa, 62 FR 61731, 61732-33 (Nov. 19, 1997).

[18] See Golden Dragon's November 13, 2012, submission at 7-8.

through five channels of distribution, three for MXGD and two for USGD (i.e., sales made by MXGD for sales shipped directly to the customer (Channel 1), sales made by MXGD and picked up from there (Channel 2), consignment sales made by MXGD (Channel 3), sales made by USGD for sales shipped directly to the customer (Channel 4), and sales made by USGD and picked up from MXGD (Channel 5)). Golden Dragon also reported three customer types and that the selling functions it performed did not vary by the channel of distribution.

We found that Golden Dragon performed the following selling functions for Channel 1, 2, and 3 sales in the POR: sales forecasting, strategic/economic planning, engineering services, sales promotion, packing, inventory maintenance, order input/processing, employment of direct sales personnel, sales/marketing support, technical assistance, provision of after-sales services, provision of freight and delivery to customers (performed only for Channel 1 and Channel 3 sales), sales negotiations, and collection of payment.[19] In addition, Golden Dragon performed the same selling functions for the activity performed by MXGD for sales through USGD, plus USGD also performed sales forecasting, strategic/economic planning, engineering services, order/input processing, sales/marketing support, technical assistance, provision of cash discounts, payment of commissions, provision of after-sales services, sales negotiations, and collection of payment.[20] Accordingly, based on the four selling function groups listed above, we find that Golden Dragon performed sales and marketing, freight and delivery, inventory maintenance and warehousing, and warranty and technical support for home market sales. Because the sales in the home market are made at two different stages in the marketing process and the selling functions are greater for sales made by the U.S. affiliate, we preliminarily determine that there are two different LOTs in the home market, i.e., sales made by MXGD and sales made by USGD.

Finally, we compared the U.S. LOT to both home market LOTs and found that the selling functions performed for U.S. and home market customers differ significantly. We preliminarily determine that sales to the home market during the POR were made at a more advanced LOT than the sales in the U.S. LOT. In addition, we preliminarily determine that sales made by MXGD are at the closest LOT to the U.S. LOT and sales made by USGD are at the next closest LOT to the U.S. LOT. We did not make an LOT adjustment under 19 CFR 351.412(e) because Golden Dragon did not sell subject merchandise at a common LOT in the home and U.S. markets and thus we were unable to identify a pattern of consistent price differences attributable to differences in LOTs.[21] Accordingly, pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f), we are preliminarily granting a CEP offset to Golden Dragon.

2. Nacobre

Nacobre reported that it made CEP sales through two channels of distribution in the United States (i.e., sales made from inventory in the United States (Channel 1) and sales directly shipped from Mexico to U.S. customers (Channel 2)). According to Nacobre, the selling activities it performed did not vary by the channel of distribution. We examined the selling activities

[19] See Golden Dragon's November 13, 2012, submission at 8-10.

[20] See id.

[21] See 19 CFR 351.412(d).

performed for Nacobre's U.S. sales and found that Nacobre performed the following selling functions: order input/processing, strategic/economic planning, provision of freight and delivery, and packing, and inventory maintenance (performed only for Channel 2 sales).

Selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery; 3) inventory maintenance and warehousing; and 4) warranty and technical support. See OJ from Brazil at Comment 7 and Shrimp from India, 74 FR at 9996. Based on these selling function categories, we find that Nacobre performed sales and marketing and freight and delivery for both U.S. channels of distribution, and inventory maintenance and warehousing only for its Channel 2 U.S. sales. Because the selling activities performed for Nacobre's two channels of distribution did not differ significantly, we preliminarily determine that there is one LOT in the U.S. market.

With respect to the home market, Nacobre reported that it made sales through three channels of distribution (i.e., sales from inventory (Channel 1), direct shipments (Channel 2), and consignment sales (Channel 3)). According to Nacobre, the selling functions it performed did not vary by channel of distribution. We examined the selling activities performed for home market sales and found that Nacobre performed the following selling functions: order input/processing, employment of direct sales personnel, sales/marketing support, market research, technical assistance, provision of rebates (performed only for Channel 1 sales), provision of guarantees, provision of after-sales services, provision of freight and delivery to customers, sales forecasting, strategic/economic planning, personnel training/exchange, advertising, sales promotion, distributor/dealer training, procurement/sourcing services, packing, and inventory maintenance. In addition, prior to September 1, 2011, the vast majority of Nacobre's home market sales were made through its affiliated selling agent, Productos Nacobre S.A. de C.V. (Pronaco).[22] Nacobre reported that for sales prior to September 1, 2011, it also performed the following selling functions to sell to Pronaco: order input/processing, providing guarantees, providing freight/delivery to customers, personnel training/technical exchange, packing, and inventory maintenance. Accordingly, based on the four selling function categories listed above, we find that Nacobre performed sales and marketing, freight and delivery, inventory maintenance and warehousing, and warranty and technical support for home market sales. Because the selling activities performed for Nacobre's three channels of distribution did not differ significantly, and Nacobre did not perform significant additional activities to sell to Pronaco, we preliminarily determine that there is one LOT in the home market for Nacobre.

Finally, we compared the U.S. LOT to the home market LOT and found that the selling functions Nacobre performed for home market customers are more advanced than those performed for its U.S. customers. This difference is sufficient to determine that the U.S. LOT is different from the home market LOT. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that sales to the home market during the POR were made at a different LOT than sales to the United States. Additionally, because the home market LOT is at a more advanced stage of distribution than Nacobre's U.S. LOT and no LOT adjustment is possible, a CEP offset is warranted.

[22] After September 1, 2011, Pronaco merged with Nacobre and ceased to exist as a separate entity.

C. *Cost of Production Analysis*

In accordance with section 773(b)(2)(A) of the Act, to initiate a cost of production (COP) investigation the Department must have "reasonable grounds" to believe or suspect that sales of the foreign like product under consideration for the determination of NV have been made at prices below the COP of that product. An allegation will be deemed to have provided reasonable grounds if: 1) a reasonable methodology is used in the calculation of the COP including the use of the respondent's actual data, if available; 2) using this methodology, sales are shown to be made at prices below the COP; and 3) the sales allegedly made at below cost are representative of a broader range of foreign models which may be used as a basis for NV. See section 773(b)(2)(A)(i) of the Act and Notice of Preliminary Results of the New Shipper Review of the Antidumping Duty Order on Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Products from Brazil, 70 FR 48668, 48670 (Aug. 19, 2005), unchanged in Notice of Final Results of New Shipper Review of the Antidumping Duty Order on Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Products from Brazil, 70 FR 62297 (Oct. 31, 2005).

On April 26, 2012, the petitioners alleged that Golden Dragon made sales in the home market, during the POR that were below the COP. Based on our analysis of the allegation made by the petitioners, we found that Golden Dragon's home market sales which fell below the COP were representative of the broader range of sales which may be used as a basis for NV. Therefore, we determined that there were reasonable grounds to believe or suspect that Golden Dragon's sales of pipe and tube in the home market were made at prices below its COP. Accordingly, pursuant to section 773(b) of the Act, we initiated a sales-below-cost investigation to determine whether Golden Dragon's sales were made at prices below its COP. See Golden Dragon Cost Investigation Memo.

In addition, we found that Nacobre made sales below the COP in the less-than-fair-value (LTFV) investigation, the most recently completed segment of this proceeding as of the date of initiation of this review, and such sales were disregarded. See Seamless Refined Copper Pipe and Tube From Mexico: Final Determination of Sales at Less Than Fair Value, 75 FR 60723, 60724 (Oct. 1, 2010) (Pipe and Tube from Mexico). Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Nacobre made home market sales at prices below the cost of producing the merchandise in the current POR.

We examined the cost data for Golden Dragon and Nacobre and determined that our quarterly cost methodology is not warranted and, therefore, we have applied our standard methodology of using annual costs based on the reported data, adjusted as described below.

1. Volatility in Raw Materials

Golden Dragon alleges that the volatility in daily commodity metal prices poses unique issues that the Department's traditional antidumping methodology does not adequately address.[23] Golden Dragon asserts that, because it has shown that the company goes to great lengths in the normal course of business to eliminate all risk associated with metal fluctuations, the Department

[23] See, e.g., Golden Dragon's March 30, 2012, submission at A-17.

should rely on Golden Dragon's reported day-specific[24] metal costs, rather than POR weighted-average metal costs for purposes of its margin analysis, consistent with the Department's practice (see Brass Sheet and Strip from Germany).

Golden Dragon claims that, because of the risks associated with fluctuating copper prices, the company has developed a business practice where Golden Dragon and its customers agree to fix the copper price component of the sales of pipe and tube based on published prices from a global commodity futures exchange, such as the LME.[25] The prices that Golden Dragon subsequently invoices its customers are comprised of two components: 1) the agreed-upon fixed metal price; and 2) a fabrication charge, both of which are listed separately on the invoice for each sales transaction.[26] Golden Dragon claims that this business model, and the company's metal hedging mechanism,[27] allows Golden Dragon to shift the risk of fluctuating metal prices to its customers.[28]

In Brass Sheet and Strip from Germany, the Department found that the respondent obtained metal neutrality as a result of its business practice of purchasing the same quantity of metal at the same metal price (e.g., LME price) for the same day ("metal fixation day") as the sale price of the metal agreed to with its customer (i.e., metal price reflected on the respondent's sales invoice to the customer). In those instances where the purchase quantity and sales quantity of metal differed on a given day (metal fixation date), the difference in quantity was hedged. Because the Department found that the respondent's sales and purchases were specifically linked on a daily basis through back-to-back physical purchases or hedging transactions in Brass Sheet and Strip from Germany, the Department determined that the reliance on the respondent's reported day-specific metal costs was warranted. As a consequence, the Department departed from its normal practice of calculating a weighted-average POR metal cost and relied instead on the reported day-specific metal costs.

In the instant case, Golden Dragon claims that HKGD's metal purchasing and hedging mechanism is identical to the Brass Sheet and Strip from Germany respondent's metal purchasing and hedging practices. As such, Golden Dragon asserts that the Department should rely on Golden Dragon's reported day-specific metal costs consistent with Brass Sheet and Strip from Germany. We disagree. The record evidence submitted by Golden Dragon does not show that the quantities of metal reported for specific metal fixation dates for Golden Dragon's sales to customers in Mexico and the United States were specifically linked on a daily basis through back-to-back physical purchases or hedging transactions. When specifically requested by the Department to show documentation of such linkage, Golden Dragon was unable to do so. Rather, Golden Dragon stated that its purchases and sales are not directly linked at all, and that

[24] Day-specific costs reported by Golden Dragon include metal costs specific to a particular day, a week-long average, a monthly average, or an average of months. See, e.g., Golden Dragon's April 16, 2012, submission at Exhibit D-1, data field "METALDTH."

[25] See Golden Dragon's April 16, 2012, submission at D-18.

[26] See id., at D-18.

[27] See Golden Dragon's July 10, 2012, submission at 7 for a description of the hedging mechanism.

[28] See Golden Dragon's April 16, 2012, submission at D-18.

its hedging mechanism is designed only to eliminate risk over an extended period of time.[29] Because the record evidence in this case fails to demonstrate that Golden Dragon is able to maintain complete metal cost neutrality, similar to the respondent in Brass Sheet and Strip from Germany, we preliminarily find that the reliance on a daily metal cost methodology is not warranted. Therefore, we have relied on our normal practice of calculating a POR weighted-average cost of metal for our preliminary analysis.

2. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated the respondents' COPs based on the sum of materials and conversion for the foreign like product, plus amounts for general and administrative (G&A) expenses and interest expenses (see "Test of Comparison Market Sales Prices" section, below, for treatment of home market selling expenses).

a. Golden Dragon

i. We relied on the weighted-average cost database submitted on November 5, 2012, in order to reflect the weighted-average copper costs for the POR in the reported cost of manufacturing of each control number.

ii. We recalculated the per-unit cost of services provided to Golden Dragon by HKGD by applying the reported services ratio to the per-unit total cost of manufacturing rather than the per-unit direct material costs as reported by Golden Dragon.

iii. We recalculated Golden Dragon's G&A expense ratio to exclude income from value added tax adjustments.

Details regarding the calculation of COP, including adjustments made to the COP reported by Golden Dragon, as well as other calculation details can be found in the Memorandum from Robert Greger, Senior Accountant, to Neal Harper, Director, Office of Accounting, entitled, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – GD Affiliates S. de R.L. de C.V. ("MXGD"), Hong Kong GD Trading Co., Ltd. ("HKGD"), Golden Dragon Holding (Hong Kong) International, Ltd., Golden Dragon Precise Copper Tube Group, Inc. ("GD China") and GD Copper U.S.A. (collectively "Golden Dragon")" dated concurrently with this notice.

b. Nacobre

i. We relied on the COP data submitted by Nacobre in its most recently submitted cost database for the COP calculation, except in the following instance. Nacobre reduced its G&A costs with a portion of its "other income and expenses." However, the net expenses should have been included in the G&A expense ratio calculation. Therefore, for the preliminary results, we have recalculated Nacobre's G&A expense ratio to include the expenses, rather than deducting them from the numerator of the G&A expense ratio calculation.

[29] See Golden Dragon's July 10, 2012, submission at 7.

Details regarding the calculation of COP, including adjustments made to the COP reported by Nacobre, as well as other calculation details can be found in the Memorandum from Laurens van Houten, Senior Accountant, to Neal Halper, Director, Office of Accounting, entitled, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results-Nacional de Cobre, S.A. de C.V.," dated concurrently with this notice.

3. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(a)(1)(B)(i) of the Act, we compared the adjusted weighted-average COP to the home market sales prices of the foreign like product, in order to determine whether the sale prices were below the COP. For purposes of this comparison, we used COP exclusive of selling and packing expenses. The prices (inclusive of billing adjustments, where appropriate) were exclusive of any applicable movement charges, discounts and rebates, direct and indirect selling expenses, and packing expenses.

4. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's home market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) they were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and 2) based on our comparison of prices to the weighted-average COPs for the POR, they were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

We found that, for certain products, more than 20 percent of Golden Dragon's and Nacobre's home market sales were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We therefore excluded these sales and used the remaining sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

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

1. Golden Dragon

We calculated NV for Golden Dragon on the reported packed, FOB plant or delivered prices, as appropriate, to home market customers. We made deductions from the starting price, where appropriate, for billing adjustments and early payment discounts, in accordance with 19 CFR

351.401(c). We also made deductions for inland freight, pursuant to section 773(a)(6)(B)(ii) of the Act.

In addition, we made deductions pursuant to section 773(a)(6)(C) of the Act for home market credit expenses. We recalculated Golden Dragon's home market credit expenses for sales denominated in U.S. dollars to use a simple average of the Federal Reserve POR borrowing rates for commercial and industrial loans maturing between one month and one year from the time the loan is made. For those sales for which Golden Dragon had not received payment as of the date of its most recent supplemental response, we recalculated home market credit expenses using the date of its most recent supplemental questionnaire response as the date of payment.[30] We also made adjustments, in accordance with 19 CFR 351.410(e), for indirect selling expenses incurred in the home market or the United States where commissions were granted on sales in one market but not in the other, the "commission offset." Specifically, where commissions are incurred in one market, but not in the other, we limit the amount of such allowance to the amount of either the indirect selling expenses incurred in the one market or the commissions allowed in the other market, whichever is less. We revised Golden Dragon's home market indirect selling expenses to include expenses related to free samples provided to a customer. We also recalculated inventory carrying costs incurred for home market sales and CEP sales by applying the short-term borrowing rate published by the International Monetary Fund because Golden Dragon had no Mexican peso-denominated borrowings during the POR.[31]

We added U.S. packing costs and deducted home market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act. When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise. See 19 CFR 351.411(b).

Finally, we made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the CEP offset as the lesser of the indirect selling expenses on the home market sales or the indirect selling expenses deducted from the starting price in calculating CEP.

2. Nacobre

We calculated NV for Nacobre on the reported packed, delivered prices to home market customers. We made deductions from the starting price, where appropriate, for billing adjustments, early payment discounts, commercial discounts, special discounts, other adjustments, and rebates,[32] in accordance with 19 CFR 351.401(c). We also made deductions for

[30] See GD Calculation Memo.

[31] See id.

[32] We accepted the amounts Nacobre reported in the field REBATEH consistent with our treatment of this rebate program in the LTFV investigation. See Seamless Refined Copper Pipe and Tube From Mexico: Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 75 FR 26726, 26732 (May 12, 2010), unchanged in Pipe and Tube from Mexico.

inland freight from the plant to the warehouse, warehousing expenses, inland freight to the customer, and inland insurance expenses pursuant to section 773(a)(6)(B)(ii) of the Act. We adjusted the reported inland freight expenses to base them on Logtec's costs because Nacobre was not able to substantiate the arm's-length nature of them, consistent with our treatment of these expenses for U.S. sales. In addition, we adjusted certain of Nacobre's reported warehousing expenses because certain warehouses it used to store home market merchandise during the POR were operated by Logtec or Pronaco. Because Nacobre was unable to substantiate the arm's-length nature of these expenses, we based Nacobre's home market warehousing expenses for warehouses operated by these affiliates on Logtec's and Pronaco's costs by deducting each company's profit rate from the reported expenses.[33]

In addition, we made deductions pursuant to section 773(a)(6)(C) of the Act for home market credit expenses. We recalculated Nacobre's home market credit expenses for sales denominated in U.S. dollars to use a simple average of the Federal Reserve POR borrowing rates for commercial and industrial loans maturing between one month and one year from the time the loan is made.[34] For those sales for which Nacobre had not received payment as of the date of its most recent questionnaire response, Nacobre reported the date of this response as the date of payment. We have accepted this information for purposes of the preliminary results. We intend to request that Nacobre provide updated payment information for these sales.

We added U.S. packing costs and deducted home market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act. When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise. See 19 CFR 351.411(b).

Finally, we made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the CEP offset as the lesser of the indirect selling expenses on the home market sales or the indirect selling expenses deducted from the starting price in calculating CEP. We reclassified certain distribution department expenses, reported as movement expenses, as indirect expenses because they are indirect in nature. We also revised Nacobre's home market indirect selling expenses to calculate separate ratios for Nacobre and Pronaco.

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

[33] See Nacobre Calculation Memo for further discussion.

[34] See id.

Recommendation

We recommend applying the above methodology for these preliminary results.

✓
__________ __________
Agree Disagree

Ronald K Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Import Administration

December 3, 2012

(Date)