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July 1, 2015

MEMORANDUM TO: Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

FROM: Christian Marsh   
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping  
Duty Administrative Review: Light-Walled Rectangular Pipe and  
Tube; 2013-2014

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## SUMMARY

The Department of Commerce (the Department) is conducting this administrative review of the antidumping duty order on light-walled rectangular pipe and tube (LWR pipe and tube) from Mexico. The review covers one producer/exporter of the subject merchandise, Perfiles y Herrajes LM, S.A. de C.V. (Perfiles). The period of review (POR) is August 1, 2013, through July 31, 2014. We preliminarily find that Perfiles has sold subject merchandise at less than normal value (NV) during the POR.

### Background

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), 19 CFR 351.213(b), and the notice of opportunity to request an administrative review,<sup>1</sup> on September 2, 2014, Perfiles requested an administrative review.<sup>2</sup> On September 30, 2014, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review of the antidumping duty order on LWR pipe and tube from Mexico.<sup>3</sup>

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<sup>1</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 79 FR 44740 (August 1, 2014).

<sup>2</sup> See Letter from Perfiles to the Department, regarding “Light-Walled Rectangular Pipe and Tube from Mexico - Request for Administrative Review,” dated September 2, 2014.

<sup>3</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 79 FR 58729 (September 30, 2014) (*Initiation Notice*).



The original deadline for the preliminary results of this review was May 4, 2015. On April 28, 2015, in accordance with section 751(a)(3)(A) of the Act, the Department extended the time period for issuing the preliminary results of this review by 65 days, to July 7, 2015.<sup>4</sup>

### Scope of the Order

The merchandise that is the subject of the order is certain welded carbon-quality light-walled steel pipe and tube, of rectangular (including square) cross section, having a wall thickness of less than 4 mm.

The term carbon-quality steel includes both carbon steel and alloy steel which contains only small amounts of alloying elements. Specifically, the term carbon-quality includes products in which none of the elements listed below exceeds the quantity by weight respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent vanadium, or 0.15 percent of zirconium. The description of carbon-quality is intended to identify carbon-quality products within the scope. The welded carbon-quality rectangular pipe and tube subject to the order is currently classified under the Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7306.61.50.00 and 7306.61.70.60.

While HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of the order is dispositive.

## DISCUSSION OF THE METHODOLOGY

### Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1), to determine whether Perfiles' sales of the subject merchandise from Mexico to the United States were made at less than NV, the Department compared the export price (EP) to the NV as described in the "Export Price" and "Normal Value" sections of this memorandum.

#### A. *Determination of Comparison Method*

Pursuant to 19 CFR 351.414(b) and (c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or constructed export prices (CEPs)) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use the average-to-transaction method as an alternative comparison method using an 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

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<sup>4</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary, Antidumping and Countervailing Duty Operations, regarding "Light-Walled Rectangular Pipe and Tube from Mexico: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review; 2013/2014," dated April 28, 2015.

administrative reviews, the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is analogous to the issue in antidumping investigations.<sup>5</sup> In recent investigations, the Department applied a “differential pricing” analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.<sup>6</sup> The Department finds the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.<sup>7</sup> The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department’s additional experience with addressing the potential masking of dumping that can occur when the Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer names. Regions are defined using the reported destination code (*i.e.*, zip codes) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* test is applied when the test and comparison groups of data each have at least two sales observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise.

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<sup>5</sup> See *Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>6</sup> See, e.g., *Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); and *Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products From Japan: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 69371 (November 19, 2013), and accompanying Preliminary Decision Memorandum at “Determination of Comparison Method,” unchanged in *Notice of Affirmative Final Determination of Sales at Less Than Fair Value: Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products From Japan*, 79 FR 19869 (April 10, 2014).

<sup>7</sup> See, e.g., *Polyethylene Terephthalate Film, Sheet, and Strip From Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 48651 (August 9, 2013), and accompanying Preliminary Decision Memorandum at “Determination of Comparison Method,” unchanged in *Polyethylene Terephthalate Film Sheet, and Strip From Taiwan: Final Results of Antidumping Duty Administrative Review; 2011–2012*, 79 FR 11407 (February 28, 2014).

Then, the Cohen's *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen's *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the "ratio test" assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of EPs (or CEPs) that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of EPs (or CEPs) that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

## B. *Results of the Differential Pricing Analysis*

For Perfiles, based on the results of the differential pricing analysis, the Department finds that the value of total sales that passed the Cohen's *d* test was more than 33 percent and less than 66 percent, and, as such, these results confirm the existence of a pattern of EPs or CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods.<sup>8</sup> Further, the Department determines that the average-to-average method cannot appropriately account for such differences because there is a 25 percent relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method. Accordingly, the Department has preliminarily determined to use the average-to-transaction method for those sales passing the Cohen's *d* test and the average-to-average method for those sales not passing the Cohen's *d* test.<sup>9</sup>

### Product Comparisons

In accordance with section 771(16) of the Act, we compared prices for products produced by Perfiles and sold in the home market 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) steel input type; (2) metallic coating; (3) painted; (4) perimeter; (5) wall thickness; (6) shape.<sup>10</sup>

### Date of Sale

19 CFR 351.401(i) states that the Department "normally 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. The regulation provides further that the Department may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established. The Department has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.<sup>11</sup>

The Court of International Trade (CIT) has stated that "a party seeking to establish a date of sale other than invoice date bears the burden of producing sufficient evidence to 'satisfy' the Department that a different date better reflects the date on which the exporter or producer

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<sup>8</sup> See Memorandum from Ilissa Kabak Shefferman to the File, regarding "Analysis of Data Submitted by Perfiles y Herrajes LM, S.A. de C.V. in the Preliminary Results of the 2012-2013 Administrative Review of the Antidumping Duty Order on Light-Walled Rectangular Pipe and Tube from Mexico (Perfiles Preliminary Analysis Memorandum) dated concurrently with this memorandum.

<sup>9</sup> In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012).

<sup>10</sup> See the Department's letter to Perfiles regarding the antidumping duty questionnaire, dated October 23, 2014.

<sup>11</sup> See *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand*, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; see also *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams From Germany*, 67 FR 35497 (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.

establishes the material terms of sale.”<sup>12</sup> Alternatively, the Department may exercise its discretion to rely on a date other than invoice date if the Department “provides a rational explanation as to why the alternative date ‘better reflects’ the date when ‘material terms’ are established.”<sup>13</sup> The date of sale is generally the date on which the parties establish the material terms of the sale. This normally includes the price, quantity, delivery terms and payment terms.<sup>14</sup>

During the course of this review, we examined whether invoice date or another date better represents the date on which the material terms of sale were established. Perfiles stated that it considers the date of sale to be the date on which Perfiles accepts a customer’s purchase order and enters those orders into its computer system because that represents the date on which the material terms of sales are established.<sup>15</sup> Perfiles further states that it considers the material terms of sales to be fixed on the aforementioned date.<sup>16</sup> Perfiles provided sample sales documentation, including purchase orders, purchase order confirmations, invoices, shipping confirmation, credit notes (when applicable), and payment information for a number of both home market and U.S. sales covered by this review.<sup>17</sup> We examined these sales documents to determine whether the material terms of sale changed between the date on which Perfiles entered the order into its computer system and the date on which Perfiles issued the invoice. We found no evidence that the material terms of sale changed or were subject to change once Perfiles entered the order into its computer system. Therefore, we preliminarily determine that date on which Perfiles enters the orders into the “Macola” computer system is the appropriate date of sale for both the home and U.S. sales in this administrative review because it best represents the date upon which the material terms of sale are established and remain unchanged.

For a small number of home market sales, Perfiles reported shipment dates that preceded the date of sale. Perfiles stated that “in most of these cases, the order, invoice and shipment would occur on the same date. On rare occasions, when the computer system was down, the remission (for the shipment) would be generated on the date that the merchandise was picked up by the customer, but the order might not be entered into the system (and the invoice might not be generated) until the following day, when the computer system was functioning again.”<sup>18</sup> The Department has a long-standing practice of finding that, where shipment date precedes what would otherwise be the date of sale (in this case, the purchase order date), shipment date better reflects the date on which the material terms of sale are established.<sup>19</sup> For purposes of these preliminary results, and pursuant to Department practice, we are relying on the shipment date as the date of sale for these transactions.

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<sup>12</sup> See *Allied Tube*, 132 F. Supp. 2d at 1090-1092.

<sup>13</sup> See *SeAH Steel Corp. v. United States*, 25 C.I.T. 133, 135 (Ct. Int’l Trade 2001).

<sup>14</sup> See *USEC Inc. v. United States*, 31 C.I.T. 1049, 1055 (Ct. Int’l Trade 2007).

<sup>15</sup> See Section A IQR at 20, Section B IQR at 16, and Section C IQR at 55.

<sup>16</sup> See Section A IQR at 20.

<sup>17</sup> See Exhibits A-6-A and A-6-B in the Section A IQR, and Appendices SA-2 and SB-4 of the 2/19 SQR.

<sup>18</sup> See 2/19 SQR at 17.

<sup>19</sup> See *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp From Thailand*, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; see also *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams From Germany*, 67 FR 35497 (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.

## Export Price

Section 772(a) of the Act defines EP as “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c).”

For purposes of these preliminary results, we calculated the U.S. price as the EP for Perfiles in accordance with section 772(a) of the Act, because the merchandise was first sold, prior to importation by the producer, outside of the United States to the unaffiliated purchaser in the United States. There were no sales in the United States to affiliated parties. We calculated EP based on the packed price that was charged to the first unaffiliated U.S. customer. We applied billing adjustments as reported. We made deductions for movement expenses, where appropriate, in accordance with section 772(c)(2)(A) of the Act, including deductions for foreign inland freight (plant/warehouse to the border), U.S. inland freight (border to the unaffiliated customer), and brokerage and handling. As discussed in the “Normal Value” section, below, we also made circumstances-of-sale adjustments, where appropriate, for imputed credit.

## Normal Value

### A. *Home Market Viability as Comparison Market*

To determine whether there was a sufficient volume of sales of LWR pipe and tube 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), the Department compared the volume of Perfiles’ home-market sales of the foreign like product to the volume of its U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Based on this comparison, we determined that Perfiles had a viable home market during the POR, because its volume of sales of the foreign like product in the home market was five percent or more of the aggregate volume of U.S. sales of the subject merchandise.<sup>20</sup> Consequently, we based NV on home-market sales to unaffiliated purchasers made in the usual quantities in the ordinary course of trade, described in detail below.

### B. *Level of Trade*

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate normal value based on sales at the same level of trade (LOT) as the EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).<sup>21</sup> Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.<sup>22</sup> In order to determine whether the comparison sales were at different stages in the marketing process than the U.S. sales, we reviewed the distribution system in each market (*i.e.*, the chain of distribution), including selling

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<sup>20</sup> See Section A IQR at Appendix A-1.

<sup>21</sup> See 19 CFR 351.412(c)(2).

<sup>22</sup> 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 (November 19, 1997) (*Plate from South Africa*).

functions, class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to 19 CFR 351.412(c)(1), in identifying LOTs for EP and comparison-market sales (*i.e.*, NV based on either home market or third-country prices), we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and CEP profit under section 772(d) of the Act.<sup>23</sup> Where normal value is based on CV, we determine the normal value LOT based on the LOT of the sales from which we derive selling, general, and administrative (SG&A) expenses, and profit for CV, where possible.

When the Department is unable to match U.S. sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, the Department may compare the U.S. sales to sales at a different LOT in the comparison-market. In comparing EP or CEP sales at a different LOT in the comparison-market, where available data make it practicable, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between normal value and CEP affects price comparability (*i.e.*, no LOT adjustment was practicable), the Department shall grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>24</sup> In this review, Perfiles reported only EP sales to the United States.

In analyzing differences in selling functions, we determine whether the levels of trade identified by the respondent are meaningful.<sup>25</sup> If the claimed levels of trade are the same, we expect that the functions and activities of the seller should be similar. Conversely, if a party claims that levels of trade are different for different groups of sales, the functions and activities of the seller should be dissimilar.<sup>26</sup>

In its questionnaire responses, Perfiles reported three channels of distribution for its home-market sales made to three types of customers: (1) distributors (2) original equipment manufacturers and (3) construction companies. The three channels of distribution included (1) sales from inventory kept at one of its branch offices; (2) local sales to customers in the Monterrey area from inventory kept at Perfiles's production facility in Apodaca; and (3) direct shipments of truckload quantities from Perfiles's Apodaca production facility to customers throughout Mexico.<sup>27</sup> Perfiles reported a single LOT in its home market sales database. Based on our analysis of Perfiles' home market selling functions, we find that the home market sales to all customer categories through all channels of distribution were substantially similar with respect to selling functions and stages of marketing. Perfiles performed the same selling

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<sup>23</sup> See *Micron Technology Inc. v. United States*, 243 F.3d 1301, 1314-1315 (Fed. Cir. 2001).

<sup>24</sup> See *Plate from South Africa*, 62 FR at 61732-33.

<sup>25</sup> See *Antidumping Duties: Countervailing Duties*, 62 FR 27296, 27371 (May 19, 1997).

<sup>26</sup> See *Porcelain-on-Steel Cookware from Mexico: Final Results of Antidumping Duty Administrative Review*, 65 FR 30068 (May 10, 2000), and accompanying Issues and Decision Memorandum at Comment 6. See also *Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan: Final Results and Final Rescission in Part of Antidumping Duty Administrative Review*, 74 FR 66620 (December 16, 2009), and accompanying Issues and Decision Memorandum at Comment 4.

<sup>27</sup> See Section A IQR at 15.

functions for these sales, including sales forecasting, inventory maintenance, use of direct sales personnel, cash discounts, and the provision of guarantees.<sup>28</sup> Thus, for this review, we preliminarily find that the selling functions for the reported channels of distribution constituted one LOT in the home market, or the normal value LOT.<sup>29</sup>

In the U.S. market, Perfiles reported one LOT for which there was one channel of distribution to one type of customer, distributors.<sup>30</sup> Based on our analysis of Perfiles' U.S. market selling functions, we find that the U.S. sales to all customer categories through all channels of distribution were substantially similar with respect to selling functions and stages of marketing. Perfiles performed the same selling functions for these sales, including sales forecasting, provision of guarantees, and provision of freight and delivery.<sup>31</sup> Thus, for this review, we preliminarily found that the selling functions for the reported channel of distribution constituted one LOT in the U.S. market, or the EP LOT.<sup>32</sup>

Next, we compared the selling functions associated with the sales at the normal value LOT to those associated with the EP LOT and, based on our analysis of record evidence, we found that the degree and number of selling functions provided by Perfiles for its customers in the home market were greater than those for its U.S. customers. For example, while Perfiles provided high levels of inventory maintenance, cash discounts, direct sales personnel and order input/processing for home market customers, these selling functions were either not provided or rarely provided to U.S. customers.<sup>33</sup> However, we were unable to calculate a LOT adjustment because we found only one LOT in Perfiles' home market and there is no other record evidence on which to base an adjustment. Therefore, for these preliminary results, we matched the EP sales to home market sales without making a LOT adjustment to the normal value.<sup>34</sup>

### C. *Sales to Affiliated Customers*

We exclude home market sales to affiliated customers that are not made at arm's-length prices from our margin analysis because we consider them to be outside the ordinary course of trade.<sup>35</sup> Consistent with 19 CFR 351.403(c) and (d) and our practice, "the Department may calculate normal value based on sales to affiliates if satisfied that the transactions were made at arm's length."<sup>36</sup> To test if sales to affiliates were made at arm's-length prices, we compare, on a model-specific basis, the starting prices of sales to affiliated and unaffiliated customers, net of all direct selling expenses, billing adjustments, discounts, rebates, movement charges, and packing. Where prices to the affiliated party are, on average, within a range of 98-to-102 percent of the

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<sup>28</sup> See Appendix A-4 in the Section A IQR.

<sup>29</sup> For a more detailed discussion of this analysis, see the "Level of Trade" section in the Perfiles Preliminary Analysis Memorandum.

<sup>30</sup> See Section A IQR at 15-16.

<sup>31</sup> See Appendix A-4 in the Section A IQR.

<sup>32</sup> For a more detailed discussion of this analysis, see the "Level of Trade" section in the Perfiles Preliminary Analysis Memorandum.

<sup>33</sup> See Appendix A-4 in the Section A IQR.

<sup>34</sup> For a more detailed discussion of this analysis, see the "Level of Trade" section in the Perfiles Preliminary Analysis Memorandum.

<sup>35</sup> See 19 CFR 351.403(c).

<sup>36</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d 1339, 1365 (CIT 2003).

price of identical or comparable merchandise to the unaffiliated parties, we determine that the sales made to the affiliated party are at arm's length.<sup>37</sup>

We preliminarily find that the sales Perfiles made to its affiliated customers during the period of review failed the arm's-length test. Accordingly, we have excluded them in our preliminary margin analysis.<sup>38</sup>

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

We calculated NV for Perfiles based on the reported packed, ex-factory, or delivered prices to comparison market customers. We made deductions from the starting price, where appropriate, for certain movement expenses (*i.e.*, inland freight and inland insurance, warehousing) pursuant to section 773(a)(6)(B)(ii) of the Act.<sup>39</sup> We also made adjustments for differences in circumstances of sale, as appropriate (*i.e.*, credit expenses), in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b), and 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.<sup>40</sup>

#### Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A(a) 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. The exchange rates are available on the Enforcement and Compliance website at <http://enforcement.trade.gov/exchange>.

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<sup>37</sup> See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69194 (November 15, 2002).

<sup>38</sup> For a more detailed discussion of this analysis, see the "Arm's-Length Test" section of the Perfiles Preliminary Analysis Memorandum.

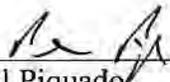
<sup>39</sup> See Perfiles Preliminary Analysis Memorandum for additional information.

<sup>40</sup> See 19 CFR 351.411(b).

Recommendation

We recommend applying the above methodology for these preliminary results.

✓  
Agree      Disagree

  
\_\_\_\_\_  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

1 July 2015  
Date