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MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Seamless Refined Copper Pipe and Tube from Mexico: Decision
Memorandum for Preliminary Results of Antidumping Duty
Administrative Review; 2013-2014

SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on seamless refined copper pipe and tube (pipe and tube) from Mexico. The review covers one producer/exporter of the subject merchandise, GD Affiliates S. de R.L. de C.V. (Golden Dragon).¹ The period of review (POR) is November 1, 2013, through October 31, 2014. We preliminarily find 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 AD order on pipe and tube from Mexico.² Subsequently, on November 3, 2014, the Department published in the

¹ The Department has previously treated GD Affiliates S. de R.L. de C.V. as part of a single entity including: 1) GD Copper Cooperatief U.A.; 2) Hong Kong GD Trading Co. Ltd.; 3) Golden Dragon Holding (Hong Kong) International, Ltd.; 4) GD Copper U.S.A. Inc.; 5) GD Affiliates Servicios S. de R.L. de C.V.; and 6) GD Affiliates S. de R.L. de C.V. (MXGD), which is collectively referred to as Golden Dragon. See, e.g., Seamless Refined Copper Pipe and Tube From Mexico: Final Results of Antidumping Duty New Shipper Review, 77 FR 59178 (September 26, 2012), and accompanying Issues and Decision Memorandum.

² 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 (November 22, 2010) (Order).



Federal Register a notice of opportunity to request an administrative review of the AD order on pipe and tube from Mexico for the period November 1, 2013, through October 31, 2014.³

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 2014, the Department received a request to conduct an administrative review of the AD 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: Golden Dragon; IUSA, S.A. de C.V. (IUSA); and Nacional de Cobre, S.A. de C.V. (Nacobre). In accordance with 19 CFR 351.213(b)(2), the Department also received requests to conduct an administrative review from Golden Dragon in November 2014, and from IUSA and Nacobre in December 2014.⁴

In December 2014, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review for Golden Dragon, IUSA, and Nacobre,⁵ and in January 2015, we issued the AD questionnaire to these companies. Also in January 2015, we received a response to Section A of the questionnaire (*i.e.*, the section related to general information) from Golden Dragon. We also received a request from Golden Dragon to report its cost of production (COP) data on a fiscal year basis; because Golden Dragon provided information demonstrating that reporting cost data for this revised period was not distortive, we granted its request.

Finally, in January 2015, IUSA withdrew its request for an administrative review. In this same submission, IUSA also informed the Department that it would no longer participate in this administrative review.

In February and March 2015, we received responses from Golden Dragon to sections B, C and D (*i.e.*, the sections related to home market sales, U.S. sales, and COP, respectively) of the questionnaire, as well as Nacobre's responses to all sections of the questionnaire.

In March 2015, Golden Dragon and Nacobre withdrew their requests for an administrative review, and the petitioner withdrew its review requests for IUSA and Nacobre, but not for Golden Dragon. In April 2015, the Department rescinded the administrative review with respect to IUSA and Nacobre, but continued the review of Golden Dragon.⁶

From May 2015 through June 2015, the Department issued several supplemental questionnaires to Golden Dragon. During the same time period, we received Golden Dragon's responses to these supplemental questionnaires.

³ See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review, 79 FR 65176 (November 3, 2014).

⁴ These review requests were timely because the last day of the opportunity month (*i.e.*, November 30) fell on a weekend.

⁵ See Initiation of Antidumping and Countervailing Duty Administrative Reviews, 79 FR 76956 (December 23, 2014).

⁶ See Seamless Refined Copper Pipe and Tube From Mexico: Rescission, in Part, of Antidumping Duty Administrative Review; 2013-2014, 80 FR 17722 (April 2, 2015).

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 millimeters (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:

<u>ELEMENT</u>	<u>LIMITING CONTENT PERCENT BY WEIGHT</u>
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

Normal 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 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.

For purposes of determining an appropriate product comparison to the U.S. sale, 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. If contemporaneous sales of identical comparison market merchandise were reported, as described below, we made comparisons to the monthly weighted-average comparison market prices that were based on all such sales. If there were no contemporaneous sales of identical merchandise in the comparison market, then we identified sales of the most similar 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 argues that for some original equipment manufacturer (OEM) customers, Golden Dragon's U.S. affiliate has agreements that purport to set the metal price and the fabrication charge.⁷ Golden Dragon argues 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 argues that the price of copper fluctuates daily, and because the metal date establishes the key component of the transaction, the metal date must be considered in the Department's sales matching. However, consistent with our treatment of this issue in all previous segments of this proceeding, we do not find cause to change this practice. Golden Dragon has not established that a date other than the invoice date better reflects the date on which the material terms are set with some of its agreements with U.S. customers.⁸ Therefore, we find that there is no reason to take into consideration the metal date in our comparisons.

⁷ 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. See Golden Dragon's January 26, 2015, submission at A-16.

⁸ See, e.g., Seamless Refined Copper Pipe and Tube From Mexico: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 77651 (December 24, 2013), and the accompanying Preliminary Issues and Decision Memorandum (Second AR Mexican Copper Pipe Preliminary Results) at 4-5, unchanged in Seamless Refined Copper Pipe and Tube From Mexico: Final Results of Antidumping Duty Administrative Review; 2011-2012, 79 FR 36719 (June 30, 2014) (Second AR Mexican Copper Pipe Final Results), and Seamless Refined Copper Pipe and Tube From Mexico: Preliminary Results of Antidumping Duty Administrative Review; 2012-2013, 79 FR 73028 (December 9, 2014), and the accompanying Preliminary Issues and Decision

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) (or CEPs) (the average-to-average method), unless the Secretary determines that another method is appropriate in a particular situation. In AD 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 govern the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is analogous to the issue in antidumping duty investigations.⁹ In recent investigations, pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act, the Department has applied a "differential pricing" analysis to determine whether application of average-to-transaction comparisons is appropriate in a particular situation.¹⁰ The Department finds that 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. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, as well as 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 differs 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 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 consolidated customer codes. Regions are defined using the reported destination zip code 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

Memorandum at 5, unchanged in Seamless Refined Copper Pipe and Tube From Mexico: Final Results of Antidumping Duty Administrative Review; 2012-2013, 80 FR 33482 (June 12, 2015) (Third AR Mexican Copper Pipe Final Results).

⁹ 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.

¹⁰ See, e.g., Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 33350 (June 4, 2013), and the accompanying Issues and Decision Memorandum at Comment 3; and Hardwood and Decorative Plywood From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 58273 (September 23, 2013), and the accompanying Issues and Decision Memorandum at Comment 3.

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* coefficient is calculated when the test and comparison groups of data each have at least two 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. Then, the Cohen’s *d* coefficient is used 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, and passed the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large threshold (i.e., 0.8).

Next, the “ratio test” assesses the extent of the significance of the 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 accounts for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports 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 but less than 66 percent of the value of total sales, then the results support 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 the application 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 prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, the Department examines 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, 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 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.

For Golden Dragon, based on the results of the differential pricing analysis, the Department finds that less than 33 percent of Golden Dragons's export sales passed the Cohen's *d* test, which does not confirm the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions or time periods. Accordingly, the Department has used the average-to-average method for all U.S. sales to calculate Golden Dragon's weighted-average dumping margin.

Product Comparisons

Pursuant to 19 CFR 351.414(e), we compared U.S. sales of pipe and tube to sales of pipe and tube made in the home market within the contemporaneous window period, which extends from three months prior to the month of the first U.S. sale until two months after the month of the last U.S. sale. In making the product comparisons, we matched foreign like products based on the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are type and ASTM specification, copper alloy unified number system, outer diameter, wall thickness, physical form, temper designation, bore, outer surface, and 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 or exporter's records kept in the ordinary course of business, as the date of sale. However, the regulations permit the Department to use a different date if it better reflects the date on which the exporter or producer establishes the material terms of sale.

Golden Dragon reported, and we used for purposes of these preliminary results, the earlier of the invoice date or the shipment date as the date of sale for 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 from the warehouse by the customer.^{11, 12}

¹¹ See Golden Dragon's March 11, 2015, at B-20, and January 26, 2015, submission at A-16.

¹² 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 (April 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 (January 31, 2007) (SSSSC from Korea), and the accompanying Issues and Decision Memorandum at Comments 4 and 5. See Third AR Mexican Copper Pipe Final Results at Comment 1.

Constructed Export Price

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

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

In accordance with section 772(d)(1) of the Act, we calculated 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). We also 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 foreign like product in the comparison market and 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 home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Based on this comparison, we determined that Golden Dragon had a viable home market during the POR.¹³

B. *Level of Trade*

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV 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).¹⁴ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.¹⁵ In order to determine whether

¹³ See Golden Dragon's January 26, 2015, submission at Exhibit A-1.

¹⁴ See 19 CFR 351.412(c)(2).

¹⁵ Id.; see also 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, 51001 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (OJ from Brazil).

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

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales (*i.e.*, NV based on either home market or third country prices),¹⁶ 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 profit under section 772(d) of the Act.¹⁷

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. sale 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 possible, we make an 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 NV and CEP affects price comparability (*i.e.*, no LOT adjustment was possible), the Department will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.¹⁸

In this administrative review, we obtained information from Golden Dragon regarding the marketing stages involved in making its reported home market and U.S. sales, including a description of the selling activities performed by Golden Dragon for each channel of distribution. Golden Dragon reported that it made CEP sales during the POR to its U.S. affiliate. We examined the selling activities performed for these sales and found that Golden Dragon performed the following selling functions: packing, order input/processing, freight and delivery, and inventory maintenance.¹⁹

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.²⁰ Based on these selling function categories, we find that Golden Dragon performed sales and marketing, freight and delivery, and inventory maintenance and warehousing for U.S. sales. Because Golden Dragon only has one channel of distribution (*i.e.*, sales to its U.S. affiliate), we preliminarily determine that there is one LOT in the U.S. market.

¹⁶ Where NV is based on constructed value (CV), we determine the NV LOT based on the LOT of the sales from which we derive selling expenses, general and administrative (G&A) expenses, and profit for CV, where possible.

¹⁷ See Micron Tech., Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

¹⁸ See, e.g., OJ from Brazil, at Comment 7.

¹⁹ See Golden Dragon's January 26, 2015, submission at Exhibit A-4.

²⁰ See OJ from Brazil at Comment 7; and Certain Frozen Warmwater Shrimp From India: Preliminary Results and Preliminary Partial Rescission of Antidumping Duty Administrative Review, 74 FR 9991, 9996 (March 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).

With respect to the home market, Golden Dragon reported that it²¹ made sales to home market OEM and distributor customers through five channels of distribution (i.e., sales shipped directly to the customer (Channel 1), sales picked up by the customer from Golden Dragon in Mexico (Channel 2), consignment sales (Channel 3), sales picked up from a warehouse (Channel 4), and sales shipped from the warehouse to the customer (Channel 5)). In addition, Golden Dragon reported that its U.S. affiliate made sales to home market customers, through one channel of distribution (i.e., sales shipped directly to the customer (Channel 1)). According to Golden Dragon, the selling functions it performed did not vary by the channel of distribution.

Golden Dragon reported that its Mexico office performed the following selling functions for all home market sales during the POR: sales forecasting, strategic/economic planning, sales negotiation, order input/processing, employment of direct sales personnel, sales/marketing support, sales promotion, packing, inventory maintenance, technical assistance, engineering services, and provision of after-sales services. Golden Dragon reported that its Mexico office also provided freight and delivery to its home market customers in Channels 1, 4, and 5.²²

Golden Dragon reported that it performed the same selling functions noted above for home market sales through its U.S. affiliate, and its U.S. affiliate also performed sales forecasting, strategic/economic planning, sales negotiations, order/input processing, employment of direct sales personnel, sales/marketing support, technical assistance, engineering services, provision of cash discounts, payment of commissions, and provision of after-sales services.²³ 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 LOTs in the home market (i.e., sales made by Golden Dragon in Mexico and sales made by its U.S. affiliate).

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 Golden Dragon in Mexico are at the closest LOT to the U.S. LOT, and sales made by its U.S. affiliate 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

²¹ Beginning October 2014, Golden Dragon established a new entity in Mexico, GD Copper S. de R.L. de C.V. (GD Copper), to meet the requirements of the new Mexican regulations governing the IMMEX (maquila) program; at this time, the producer MXGD ceased selling operations in the home market. The scope of GD Copper's operations under the maquila program include sales, warehousing, and distribution only (i.e., unlike MXGD, it has no production operations). Golden Dragon reported that GD Copper sold pipe in tube in the home market through the same channels of distribution noted above.

²² See Golden Dragon's June 18, 2015, submission at Exhibit SSBC-10.

²³ See Golden Dragon's January 26, 2015, submission at Exhibit A-4.

price differences attributable to differences in LOTS.²⁴ 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.

C. *Cost of Production Analysis*

We found that Golden Dragon made sales below the COP in the most recently-completed segment of this proceeding for the company as of the date of initiation of this review, and such sales were disregarded.²⁵ Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Golden Dragon made home market sales at prices below the cost of producing the merchandise in the current POR.

1. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated Golden Dragon's COPs based on the sum of materials and conversion for the foreign like product, plus amounts for G&A expenses and interest expenses (see "Test of Comparison Market Sales Prices" section, below, for treatment of home market selling expenses). We examined the reported cost data and determined that our quarterly cost methodology is not warranted. Therefore, we followed our normal methodology of calculating an annual weighted-average cost.

We relied on the weighted-average cost database submitted on May 4, 2015, in calculating COP for Golden Dragon. We made no changes to Golden Dragon's reported costs.

2. 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 were exclusive of any applicable movement charges, discounts and rebates, billing adjustments, direct and indirect selling expenses, and packing expenses.

3. 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 a respondent's home market sales of a given product are at prices less than the COP, we disregard none of the below-cost sales of that product because we determine that in

²⁴ See 19 CFR 351.412(d).

²⁵ See Second AR Mexican Copper Pipe Preliminary Results at 14-15, unchanged in Second AR Mexican Copper Pipe Final Results.

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) the sales 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, the sales 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 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 disregarded 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*

We calculated NV for Golden Dragon based on the reported packed, FOB plant/distribution warehouse or delivered prices, as appropriate, to home market customers. We made adjustments to the starting price, where appropriate, for early payment discounts, in accordance with 19 CFR 351.401(c). We also made deductions for inland freight, warehousing expenses, and inland insurance expenses 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 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 home 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.²⁶

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.

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.

²⁶ See 19 CFR 351.411(b).

Recommendation

We recommend applying the above methodology for these preliminary results.

✓

Agree

Disagree

Ronald K Lorentzen

Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

August 3, 2015

(Date)