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MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Import Administration

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

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping
Duty Administrative Review: Purified Carboxymethylcellulose
from the Netherlands

SUMMARY

The Department of Commerce (the Department) is conducting this administrative review of the antidumping duty order on purified carboxymethylcellulose (purified CMC) from the Netherlands. The review covers two producers/exporters of the subject merchandise, Akzo Nobel Functional Chemicals, B.V. (Akzo Nobel) and CP Kelco, B.V. (CP Kelco). The period of review (POR) is July 1, 2011, through June 30, 2012. We preliminarily find that Akzo Nobel has sold subject merchandise at less than normal value (NV) and that CP Kelco had no shipments during the POR.

Background

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b), Aqualon Company, a unit of Hercules Incorporated (petitioner), requested an administrative review of the antidumping duty order on purified CMC from the Netherlands with respect to sales by both Akzo Nobel and CP Kelco on July 18, 2012.¹ Additionally, pursuant to 19 CFR 351.213(b)(2) and the notice of opportunity to request an administrative review², Akzo Nobel requested an administrative review of its sales on July 31, 2012.³ On August 30, 2012, in

¹ See Letter from the petitioner to the Secretary of Commerce, entitled “Purified Carboxymethylcellulose from The Netherlands: Request for Administrative Review and Entry of Appearance,” dated July 18, 2012.

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 77 FR 39216 (July 2, 2012).

³ See Letter from Akzo Nobel to the Secretary of Commerce, entitled “Purified Carboxymethylcellulose from The Netherlands: Request for Administrative Review and Revocation,” dated July 31, 2012.

accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review of the antidumping duty order on purified CMC from the Netherlands.⁴

On October 31, 2012, the Department exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29 through October 30, 2012. As a result, the revised deadline for the preliminary results was extended to April 4, 2013.⁵

Further, on March 28, 2013, in accordance with section 751(a)(3)(A) of the Act, the Department extended the due date for the preliminary results by an additional 120 days to August 2, 2013.⁶

Scope of the Order

The product covered by the order is all purified CMC, sometimes also referred to as purified sodium CMC, polyanionic cellulose, or cellulose gum, which is a white to off-white, non-toxic, odorless, biodegradable powder, comprising sodium CMC that has been refined and purified to a minimum assay of 90 percent. Purified CMC does not include unpurified or crude CMC, CMC Fluidized Polymer Suspensions, and CMC that is cross-linked through heat treatment. Purified CMC is CMC that has undergone one or more purification operations, which, at a minimum, reduce the remaining salt and other by-product portion of the product to less than ten percent.

The merchandise subject to the order is currently classified in the Harmonized Tariff Schedule of the United States at subheading 3912.31.00. This tariff classification is provided for convenience and Customs purposes; however, the written description of the scope of the order is dispositive.

Preliminary Determination of No Shipments

The Department received a timely submission from CP Kelco reporting to the Department that it did not sell or export the subject merchandise to the United States during the POR.⁷ On April 19, 2013, we transmitted a “No-Shipment Inquiry” to U.S. Customs and Border Protection (CBP) regarding this company. Pursuant to this inquiry, the Department received no notification from CBP of entries of subject merchandise from CP Kelco within the ten-day deadline.⁸ Accordingly, based on record evidence, we preliminarily determine that CP Kelco had no shipments during the POR.

⁴ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 77 FR 52688 (August 30, 2012).

⁵ See Memorandum to the Record from Paul Piquado, Assistance Secretary for Import Administration, regarding “Tolling of Administrative Deadlines As a Result of the Government Closure During Hurricane Sandy,” dated October 31, 2012.

⁶ See Memorandum to Edward C. Yang, Senior Director, China/Non-Market Economy Unit, regarding “Purified Carboxymethylcellulose (CMC) from the Netherlands: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review,” dated March 28, 2013.

⁷ See Letter from CP Kelco to the Secretary of Commerce, entitled “Purified Carboxymethylcellulose from the Netherlands: CP Kelco BV No Shipment Letter,” dated November 13, 2012.

⁸ See Memorandum to the File regarding No Shipments Inquiry for CP Kelco B.V., dated July 18, 2013.

Our past practice concerning no-shipment respondents was to rescind the administrative review if the respondent certified that it had no shipments and we confirmed the certified statement through an examination of CBP data.⁹ We would then instruct CBP to liquidate any entries of merchandise produced by the no-shipment respondent at the deposit rate in effect on the date of entry.¹⁰

However, in our May 6, 2003, “automatic assessment” clarification, we explained that, where respondents in an administrative review demonstrated that they had no knowledge of sales through resellers to the United States, we would instruct CBP to liquidate such entries at the all-others rate applicable to the proceeding.¹¹ Because “as entered” liquidation instructions do not alleviate the concerns which the *Assessment Policy Notice* was intended to address, instead of rescinding the review with respect to CP Kelco, we find it appropriate to complete the review and issue liquidation instructions to CBP concerning entries for CP Kelco following the final results of the review. If we continue to find that CP Kelco had no shipments of subject merchandise in the final results, we will instruct CBP to liquidate any existing entries of merchandise produced by CP Kelco but exported by other parties at the all-others rate.¹²

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d) (2012), to determine whether Akzo Nobel’s sales of the subject merchandise from the Netherlands 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(c)(1) (2012), 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 administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping investigations.¹³ In recent investigations, the Department applied a “differential pricing”

⁹ See 19 CFR 351.213(d)(3). See also *Certain Large Diameter Carbon and Alloy Seamless Standard, Line, and Pressure Pipe (Over 41/2 Inches) From Japan: Final Results of Antidumping Duty Administrative Review*, 77 FR 27428, 27430 (May 10, 2012).

¹⁰ *Id.*

¹¹ See *Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003) (“*Assessment Policy Notice*”).

¹² See, e.g., *Magnesium Metal From the Russian Federation: Preliminary Results of Antidumping Duty Administrative Review*, 75 FR 26922, 26923 (May 13, 2010), unchanged in *Magnesium Metal From the Russian Federation: Final Results of Antidumping Duty Administrative Review*, 75 FR 56989 (September 17, 2010).

¹³ 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).

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.¹⁴ The Department finds the differential pricing analysis used in these and other recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.¹⁵ 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 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 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 consolidated customer codes. 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 period of review 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 observations, and when the sales quantity for the comparison group accounts

¹⁴ See Memoranda to Paul Piquado, Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director of AD/CVD Operations Office 4, entitled "Less Than Fair Value Investigation of Xanthan Gum from Austria: Post-Preliminary Analysis and Calculation Memorandum", "Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Neimenggu Fufeng Biotechnologies Co., Ltd. (aka Inner Mongolia Fufeng Biotechnologies Co., T Jd.) and Shandong Fufeng Fermentation Co., Ltd.", and "Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Deosen Biochemical Ltd.," all dated March 4, 2013.

¹⁵ See, *e.g.*, *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and New Shipper Reviews; 2011-2012*, 78 FR 40692 (July 8, 2013); *Certain Activated Carbon From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 26748 (May 8, 2013), and accompanying Decision Memorandum; *Certain Steel Threaded Rod From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review*, 78 FR 21101 (April 9, 2013), and accompanying Decision Memorandum; *Polyester Staple Fiber From Taiwan: Preliminary Results of Antidumping Duty Administrative Review*, 78 FR 17637 (March 22, 2013), and accompanying Decision Memorandum.

for at least five percent of the total sales quantity of the comparable merchandise. 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 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 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 Akzo Nobel, based on the results of the differential pricing analysis, the Department finds that 60.73 percent of Akzo Nobel's export sales pass the Cohen's *d* test, and confirms the existence of a pattern of EPs or CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department determines that the average-to-average method cannot appropriately account for such differences because there is a meaningful difference in the weighted-average dumping margin when calculated using the average-to-average method and an alternative method based on the average-to-transaction method applied to the U.S. sales which pass the Cohen's *d* test as the resulting rates move across the *de minimis* threshold. Accordingly, the Department has preliminarily determined to use the average-to-transaction method to the portion of U.S. sales which passed the Cohen's *d* test and the average-to-average method to the portion of U.S. sales which did not pass the Cohen's *d* test to calculate Akzo Nobel's weighted-average dumping margin.

Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by Akzo Nobel 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 grade, viscosity, degree of substitution, particle size, and solution characteristics.

Date of Sale

Section 351.401(i) of the Department's regulations 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.¹⁶

With respect to Akzo Nobel's sales to the United States, Akzo Nobel reported two channels of distribution. Channel 1 sales are to an unaffiliated customer through Akzo Nobel's affiliated reseller, AKZO Nobel Functional Chemicals LLC (AN-US), where merchandise is shipped directly to the customer from Akzo Nobel's production facility in the Netherlands.¹⁷ For Channel 2 sales, AN-US sells to unaffiliated customers from stock stored in the United States.¹⁸

¹⁶ 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.

¹⁷ See Letter from Akzo Nobel to the Secretary of Commerce, entitled "Purified Carboxymethylcellulose from The Netherlands: Response to Section A of the Department's Questionnaire" (Section A response), dated October 26, 2012, at A-15 through A-16.

¹⁸ *Id.*

Akzo Nobel reported the date of shipment as the date of sale for both channels of distribution.¹⁹ For Channel 2 sales, Akzo Nobel stated that the invoice date is the same date as the shipment date. For Channel 1 sales, Akzo Nobel issues the invoice after the date of shipment.²⁰ For a consignment sale, Akzo Nobel reported the date of sale as the date when the merchandise was withdrawn from warehouse inventory for consumption.²¹ Based on evidence on the record provided by Akzo Nobel, we find that the date of shipment, or the date that merchandise on consignment was withdrawn from inventory, is the date of sale for U.S. sales.²²

For its comparison market sales, Akzo Nobel reported its date of sale to be the invoice date, which coincided with the loading and shipment date of the merchandise. Akzo Nobel stated that, until the time that the merchandise is loaded, changes can occur in the material terms of sale.²³ Based on evidence on the record provided by Akzo Nobel, we find the date of invoice to be the date of sale for sales in the Netherlands.²⁴

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).” Section 772(b) of the Act defines CEP as “the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter,” as adjusted under sections 772(c) and (d) of the Act.

For purposes of this review, Akzo Nobel classified all of its sales of purified CMC to the United States as CEP sales. During the POR, Akzo Nobel made sales in the United States through its U.S. affiliate, AN-US, which then resold the merchandise to unaffiliated customers in the United States. We calculated CEP based on the packed, delivered prices to unaffiliated purchasers in the United States. We adjusted these prices for movement expenses, including foreign and U.S. inland freight, international freight, marine insurance, foreign and U.S. brokerage and handling, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act. In addition, we adjusted the starting price for inland freight, where appropriate, pursuant to section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including

¹⁹ See Letter from Akzo Nobel to the Secretary of Commerce, entitled “Purified Carboxymethylcellulose from The Netherlands: Response to Sections Band C of the Department's Questionnaire” (Sections B&C response), dated November 20, 2012, at C-10.

²⁰ *Id.*

²¹ *Id.*

²² See, e.g., Section A response at Tab 14.

²³ See Sections B&C response at B-10.

²⁴ See, e.g., Section A response at Tab 13.

imputed credit expenses, and indirect selling expenses. We also made an adjustment for profit in accordance with section 772(d)(3) of the Act.²⁵

Normal Value

A. Home Market Viability as Comparison Market

To determine whether there was a sufficient volume of sales of purified CMC in the home market to serve as a viable basis for calculating NV, the Department compared the volume of Akzo Nobel's home market sales of the foreign like product to its volume of U.S. sales of the subject merchandise in accordance with section 773(a) of the Act. Pursuant to section 773(a)(1)(B) of the Act, because Akzo Nobel's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable for comparison purposes.

B. Level of Trade

In accordance with section 773(a)(1)(B) of the Act and the Statement of Administrative Action accompanying the Uruguay Round Agreements Act,²⁶ to the extent practicable, the Department determines NV based on sales in the comparison market at the same level of trade as the EP. Pursuant to 19 CFR 351.412(c)(1), the NV level of trade is based on the starting price of the sales in the comparison market or, when NV is based on constructed value, the starting price of the sales from which we derive selling, general, and administrative expenses and profit. For EP sales, the U.S. level of trade is based on the starting price of the sales in the U.S. market, which is usually from the exporter to the importer.

To determine whether comparison market sales are at a different level of trade than EP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.²⁷ If the comparison market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and the comparison market sales at the level of trade of the export transaction, we make a level of trade adjustment under section 773(a)(7)(A) of the Act.

Under section 773(a)(7)(A) of the Act, we make an upward or downward adjustment to NV for level of trade if the difference in level of trade involves the performance of different selling activities and is demonstrated to affect price comparability, based on a pattern of consistent price differences between sales at different levels of trade in the country in which NV is determined. Finally, if the NV level of trade is at a more advanced stage of distribution than the level of trade of the CEP, but the data available do not provide an appropriate basis to determine a level-of-

²⁵ See Memorandum from John K. Drury to the File, titled Analysis of Data Submitted by Akzo Nobel Functional Chemicals B.V. and Akzo Nobel Functional Chemicals LLC in the Preliminary Results of the 2011-2012 Administrative Review of the Antidumping Duty Order on Purified Carboxymethylcellulose from the Netherlands (preliminary calculation memorandum), dated concurrently with this memorandum.

²⁶ See H.R. Doc. No. 316, 103d Cong., 2d Sess. 829-831 (1994).

²⁷ See 19 CFR 351.412(c)(2).

trade adjustment, we reduce NV by the amount of indirect selling expenses incurred in the comparison market on sales of the foreign like product, but by no more than the amount of the indirect selling expenses incurred for CEP sales.²⁸

In analyzing differences in selling functions, we determine whether the levels of trade identified by the respondent are meaningful.²⁹ 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.³⁰

Akzo Nobel claimed that a CEP offset was required because the CEP level of trade was less advanced than levels of trade in the comparison market.³¹ In order to determine whether 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 functions for each type of sale.

We obtained information from Akzo Nobel regarding the marketing stages involved in making its reported home market and U.S. sales for each channel of distribution. Akzo Nobel reported two channels of distribution (*i.e.*, sales to customers that are shipped to the United States from Akzo Nobel’s warehouse, and sales to customers from stock in the United States maintained by AN-US) and a single level of trade in the U.S. market.³² Akzo Nobel reported sales to both distributors and end-users in the United States.³³ For purposes of these preliminary results, we have organized the common selling functions into four major categories: sales process and marketing support, freight and delivery, inventory and warehousing, and quality assurance/warranty services. Akzo Nobel performed more sales processes and selling functions in support of sales through channel 1 (where shipments of merchandise originated from Akzo Nobel’s production facility in the Netherlands) than for sales through channel 2 (where shipments of merchandise originated from AN-US’s stock in the United States). Specifically, Akzo Nobel indicated that it provided warehousing, inventory management, and freight and shipping services at a higher level for channel 1 sales than for channel 2 sales.³⁴ However, our preliminary analysis of these selling functions does not indicate that there are sufficient differences to determine a separate level of trade in the U.S. market. Accordingly, we preliminarily determine that all of Akzo Nobel’s U.S. sales constitute a single level of trade.

²⁸ See section 773(a)(7)(B) of the Act (the CEP-offset provision).

²⁹ See *Antidumping Duties: Countervailing Duties*, 62 FR 27296, 27371 (May 19, 1997).

³⁰ 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.

³¹ See Akzo Nobel’s section C response at C-44.

³² See Section A response at A-15 through A-20. See also Letter Akzo Nobel to the Secretary of Commerce, entitled “Purified Carboxymethylcellulose from The Netherlands: Response to First Supplemental Questionnaire (Sections A-C),” dated January 10, 2013 (first A-C supplemental response), at 1.

³³ See Section A response at A-15 through A-20.

³⁴ *Id.* at Tab 9.

Akzo Nobel reported a single channel of distribution (*i.e.*, direct sales to end-users) and a single level of trade in the home market.³⁵ The Department's preliminary analysis indicates that the sales process and selling functions that Akzo Nobel performed for selling to home market customers did not vary by individual customers. Therefore, we preliminarily determine that all of Akzo Nobel's home-market sales constitute a single level of trade.

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.³⁶ We reviewed the selling functions and services performed by Akzo Nobel on CEP sales as described in its questionnaire and supplemental questionnaire responses, after these deductions. Our analysis preliminarily found that sales in the home market to be at a more advanced level of trade than sales at the CEP level. Specifically, Akzo Nobel reported providing certain selling activities/functions for home market sales that Akzo Nobel did not provide in support of sales to the United States. These include activities such as sales forecasting, distributor training, market research, sales support, and after-sales service.³⁷ Additionally, Akzo Nobel provided certain selling activities/functions for home market sales at a higher level than it provided for sales to the United States, such as strategic planning and technical assistance.³⁸ Because these additional selling functions are significant, we find that Akzo Nobel's CEP sales are at a different, and less advanced, level of trade than its home market sales.

According to section 773(a)(7)(B) of the Act, a CEP offset is appropriate when the level of trade in the home market is at a more advanced stage than the level of trade of the CEP sales and the data available do not provide an appropriate basis for determining whether the difference in levels of trade between NV and CEP affects price comparability. As there was only one level of trade in the home market, there were no data available to determine the existence of a pattern of price differences, and we do not have any other information that provides an appropriate basis for determining a level-of-trade adjustment. Therefore, we applied a CEP offset to NV for CEP comparisons.

To calculate a CEP offset for Akzo Nobel, we deducted the comparison market indirect selling expenses from NV for sales that were compared to U.S. CEP sales. We limited the deduction by the amount of the indirect selling expenses deducted in calculating the CEP under section 772(d)(1)(D) of the Act.³⁹

C. Cost of Production

In the most recently completed segment of this proceeding, as of the date of initiation of this review in which Akzo Nobel participated, the Department disregarded certain home-market sales made by Akzo Nobel at prices below the cost of production (COP).⁴⁰ Thus, in accordance with

³⁵ *Id.* at A-15.

³⁶ See *Micron Tech. Inc. v. United States*, 243 F.3d 1301, 1314-15 (Fed. Cir. 2001).

³⁷ See Section A response at A-15 through A-20, and Tab 9.

³⁸ *Id.* at Tab 9 and A-17 through A-23. See also first A-C supplemental response at 1 through 2.

³⁹ See section 773(a)(7)(B) of the Act.

⁴⁰ See *Purified Carboxymethylcellulose From the Netherlands; Preliminary Results of Antidumping Duty Administrative Review*, 75 FR 48310 (August 10, 2010), unchanged in *Purified Carboxymethylcellulose From the Netherlands: Final Results of Antidumping Duty Administrative Review*, 75 FR 77829 (December 14, 2010).

section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Akzo Nobel made sales of the foreign like product in the home market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of home market sales by Akzo Nobel. Based on our analysis of Akzo Nobel's cost data, we preliminarily determine that a quarterly cost methodology is not warranted. Therefore, we have applied our standard methodology of using annual costs based on the reported data.

In accordance with sections 773(f)(2) and (3) of the Act, we evaluated Akzo Nobel's purchases of certain production inputs from an affiliated party. Based on our analysis, the transfer prices paid by Akzo Nobel to its affiliate were on an arm's-length basis.⁴¹

1. Calculation of Cost of Production

We calculated the COP on a product-specific basis, based on the sum of the respondent's costs of materials and fabrication for the foreign like product plus amounts for general and administrative expenses, interest expenses, and the costs of all expenses incidental to preparing the foreign like product for shipment in accordance with section 773(b)(3) of the Act. We relied on COP data that Akzo Nobel submitted in its response to our cost questionnaire.

2. Test of Comparison Market Sales Prices

On a product-specific basis, we compared the adjusted weighted-average COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP. In particular, in determining whether to disregard home market sales made at prices below their COP, we examined whether such sales were made within an extended period of time in substantial quantities and at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with sections 773(b)(2)(B), (C), and (D) of the Act. We determined the net comparison market prices for the below-cost test by adjusting the gross unit price for all applicable movement charges, discounts, rebates, billing adjustments, direct and indirect selling expenses, and packing expenses excluding all adjustments for imputed expenses.

3. Results of the Cost of Production Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given CONNUM were at prices less than the COP, we did not disregard below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because (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 of the COPs, 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. Because we are applying our

⁴¹ See Memorandum from Stephanie C. Arthur to Neal M. Halper, Cost of Production and Constructed Value Analysis for the Preliminary Results – Akzo Nobel Functional Chemicals, dated concurrently with this memorandum.

standard annual average cost methodology in these preliminary results, we have also applied our standard cost-recovery test with no adjustments.

Our cost test for Akzo Nobel indicated that for home market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we disregarded these below-cost sales in our analysis as outside of the ordinary course of trade and used the remaining sales to determine NV.⁴²

D. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV based on the price Akzo Nobel reported for home market sales to unaffiliated customers which we determined were within the ordinary course of trade. We made adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and (B)(i) of the Act. We also made adjustments, consistent with section 773(a)(6)(B)(ii) of the Act, for inland freight expenses from the plant to the warehouse (which are included in the warehouse expense variable), warehousing, and expenses associated with shipping merchandise to the customer. Finally, we made adjustments for differences in circumstances of sale in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made these adjustments, where appropriate, by deducting direct selling expenses (*i.e.*, imputed credit expenses) incurred on home-market sales and adding U.S. direct selling expenses (*i.e.*, imputed credit expenses and bank charges) to NV.

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 Import Administration website at <http://ia.ita.doc.gov/exchange/index.html>.

⁴² See the preliminary calculation memorandum.

Recommendation

We recommend applying the above methodology for these preliminary results. The resulting margin for sales by Akzo Nobel is 0.64 percent.

Agree

Disagree

Paul Piquado
Assistant Secretary
for Import Administration

Date