

Normal Value

A. Non-Market Economy Status

In every case conducted by the Department involving the PRC, the PRC has been treated as an NME country. Pursuant to section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority (see *Notice of Preliminary Results of Antidumping Duty Administrative Review and Preliminary Partial Rescission of Antidumping Duty Administrative Review: Freshwater Crawfish Tail Meat From the People's Republic of China*, 66 FR 52100, 52103 (October 12, 2001)). None of the parties to this proceeding has contested such treatment. Accordingly, we calculated normal value in accordance with section 773(c) of the Act, which applies to NME countries.

B. Surrogate Country

Section 773(c)(4) of the Act requires the Department to value an NME producer's factors of production, to the extent possible, in one or more market economy countries that (1) are at a level of economic development comparable to that of the NME country, and (2) are significant producers of comparable merchandise. India and Indonesia are among the countries comparable to the PRC in terms of overall economic development (see Memorandum from the Office of Policy to Irene Darzenta Tzafolias, dated May 29, 2002). In addition, based on publicly available information placed on the record, India is a significant producer of the subject merchandise. Accordingly, we considered India the primary surrogate country for purposes of valuing the factors of production because it meets the Department's criteria for surrogate country selection. Where we could not find surrogate values from India, we used values from Indonesia.

3. Factors of Production

In accordance with section 773(c) of the Act, we calculated NV based on the factors of production which included, but were not limited to: (A) hours of labor required; (B) quantities of raw materials employed; (C) amounts of energy and other utilities consumed; and (D) representative capital costs, including depreciation. We used the factors reported by each of the 12 respondents which produced the brake rotors it exported to the United States during the POR. To calculate NV, we multiplied the reported unit factor quantities by publicly available Indian or Indonesian values.

Based on our verification findings at Golden Harvest, we revised the following data in its response: (1) the reported per-unit weight for tin clamps and steel strap for all models; (2) the reported per-unit weight for corrugated paper cartons reported for two models; (3) the per-unit factor amounts for direct labor for all models; and (4) the distances from Golden Harvest to three of its suppliers (see pages 17, 19, and 20 of the Golden Harvest verification report). Based on our verification findings at Shanxi Fengkun, we revised the reported per-unit weight for five of its packing materials (i.e., corrugated paper cartons, nails, plastic bags, tape, and steel strap) (see page 18 of the Shanxi Fengkun verification report). Based on our verification findings at GREN, we revised the distances reported from GREN to four of its suppliers (see page 7 of the GREN verification report).

The Department's selection of the surrogate values applied in this determination was based on the quality, specificity, and contemporaneity of the data. As appropriate, we adjusted input prices to make them delivered prices. For those values not contemporaneous with the POR and quoted in a foreign currency or in U.S. dollars, we made adjustments for inflation using wholesale price indices published in the International Monetary Fund's *International Financial Statistics*.

To value pig iron, steel scrap, ferrosilicon, ferromanganese, limestone, lubrication oil, ball bearing cups, coking coal and firewood, we used April 2001-December 2001 average import values from *Monthly Statistics of the Foreign Trade of India* ("Monthly Statistics"). We relied on the factor specification data submitted by the respondents for the above-mentioned inputs in their questionnaire and supplemental questionnaire responses for purposes of selecting surrogate values from *Monthly Statistics*. Because we could not obtain a product-specific price from India to value lug bolts, we used a January-November 1999 product-specific import value from the Indonesian government publication *Indonesian Foreign Trade Statistical Bulletin* (see *Bicycles*, 61 FR at 19040 (Comment 17)). Certain respondents (i.e., Golden Harvest, Haimeng, Huanri General, LABEC, and ZLAP) stated in their responses they did not incur an expense for bearing cups and lug bolts because their U.S. customer provided these items to them free of charge. In support of their claim that they incurred no expense for these items, the respondents provided either the sales agreement or purchase order from their U.S. customers. Therefore, for

the preliminary results, we have not valued these items for those respondents.

We also added an amount for loading and additional transportation charges associated with delivering coal to the factory based on June 1999 Indian price data contained in the periodical *Business Line*.

We based our surrogate value for electricity on data obtained from *Energy Data Directory & Yearbook (1999-2000)*.

We valued labor based on a regression-based wage rate, in accordance with 19 CFR 351.408(c)(3).

To value selling, general, and administrative ("SG&A") expenses, factory overhead and profit, we used the 2000-2001 financial data of Kalyani Brakes Limited ("Kalyani") and Rico Auto Industries Limited ("Rico").

Where appropriate, we removed from the surrogate overhead and SG&A calculations the excise duty amount listed in the financial reports. We made certain adjustments to the ratios calculated as a result of reclassifying certain expenses contained in the financial reports. For further discussion of the adjustments made, see the Preliminary Results Valuation Memorandum, dated December 31, 2002.

All inputs were shipped by truck. Therefore, to value PRC inland freight, we used a November 1999 average truck freight value based on price quotes from Indian trucking companies.

In accordance with the decision of the Court of Appeals for the Federal Circuit in *Sigma Corp. v. United States*, 117 F. 3d 1401 (1997), we revised our methodology for calculating source-to-factory surrogate freight for those material inputs that are valued based on CIF import values in the surrogate country. We have added to CIF surrogate values from India a surrogate freight cost using the shorter of the reported distances from either the closest PRC port of importation to the factory, or from the domestic supplier to the factory on an input-specific basis.

To value corrugated paper cartons, nails, plastic bags and sheets/covers, steel strip, tape, clamps, and labels, we used April 2001-December 2001 average import values from *Monthly Statistics*. All respondents included the weight of the clamp in their reported steel strip weights. With the exception of one respondent (i.e., Golden Harvest), because the material of the clamp and steel strip was the same for both inputs, we valued these factors using the combined weight reported by those respondents. For Golden Harvest, we separately valued the two packing