

at pages 39–40. Thus, Petitioner has assumed, for purposes of the Petition, that producers in the PRC use the same inputs in the same quantities as Petitioner, adjusted for any known differences. Based on the information provided by Petitioner, we believe that its factors of production methodology represents information reasonably available to Petitioner and is appropriate for purposes of initiating this investigation.

Petitioner asserts that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) a significant producer of comparable merchandise; and (2) at a level of economic development comparable to the PRC. Based on the information provided by Petitioner, we believe that Petitioner's use of India as a surrogate country is appropriate for purposes of initiating this investigation.

Petitioner based the factors of production (raw materials, labor, energy and packing), as defined by section 773(c)(3) of the Act, for EMD from the PRC on its own experience and adjusted for known differences. Pursuant to section 773(c)(4), Petitioner valued these factors using a variety of sources, including Monthly Statistics of Foreign Trade of India, Volumes I and II, Directorate General of Commercial Intelligence & Statistics (Monthly) ("MSFTI"), Chemical Weekly, the Department's factor valuation memoranda from other NME proceedings, Government of India and pricing lists from Indian chemical manufacturers.

For manganese dioxide ore, the main raw material, Petitioner provided a surrogate value based on the prices from the financial statements of Eveready Industries India, Ltd. ("Eveready India"), an Indian manufacturer of the subject merchandise. For certain chemical inputs (e.g., sulfuric acid), Petitioner provided a surrogate value based on pricing information from Chemical Weekly. For other inputs such as caustic soda, lime (high calcium), harbonite 800S, Petitioner used pricing data from MSFTI to calculate surrogate values.

With regard to energy (electricity), Petitioner provided a surrogate value using Eveready India's financial statements. In addition, Petitioner provided a surrogate value for natural gas, a second energy source, using pricing information from the Gas Authority of India website.

Labor was valued using the regression-based wage rate for the PRC provided by the Department, in accordance with 19 CFR 351.408(c)(3). With regard to certain packing

materials, Petitioner used MSFTI pricing data as the basis for the surrogate values.

Petitioner has provided values for inputs that represent almost 99 percent of the total cost of materials, energy, and packing in the NV calculation. Petitioner explained that the estimated value of the inputs for which it was unable to identify Indian surrogate values represents a minuscule portion of the NV calculation.

For some inputs, Petitioner did not provide a surrogate value using Indian imports statistics or any of the sources identified above. Instead, Petitioner used its own U.S. acquisition costs to value those inputs. Petitioner explained that the U.S. acquisition cost was used because there were no known differences in Chinese production processes and any differences would be immaterial. The inputs for which Petitioner used a U.S. acquisition cost included: packing materials and certain minor factors used in the production of EMD. *See Initiation Checklist* at Attachment V.

Petitioner contends that it has attempted to identify surrogate values for as many inputs as possible, including those that are common to other Chinese antidumping cases before the Department. Petitioner also explains that it has not been able to identify surrogate values for inputs that are unusual and used in very small amounts.

We have decided not to accept Petitioner's reliance on the U.S. acquisition costs to value the packing materials and certain minor factors of production because our practice in NME cases is to obtain surrogate values from a surrogate country. In the instant case, Petitioner did not provide surrogate values for certain inputs using information from a surrogate country. Therefore, in accordance with the Department's practice, we have not included those surrogates in the calculation of NV provided by Petitioner. By doing so, the Department is lowering the normal value, which is conservative. *See Notice of Initiation of Antidumping Duty Investigations: 4,4'-Diamino-2,2'-Stilbenedisulfonic Acid (DAS) and Stilbenic Fluorescent Whitening Agents (SFWA) from Germany, India, and the People's Republic of China*, 68 FR 34579 (June 10, 2003) and *Initiation Checklist*.

Eveready India was selected by Petitioner as the surrogate producer in India to compute factory overhead and SG&A expenses. *See Initiation Checklist*. Petitioner calculated the overhead ratio by dividing Eveready India's total overhead expenses

(including "Depreciation," "Repairs to Machinery and Buildings," and "Stores and Spares Consumed") by Eveready India's material and energy expenses.

Petitioner excluded labor expenses from the denominator in the calculation of the overhead ratio on the grounds that Eveready India's Tea Division employs over 44,000 people while its Battery, Flashlights and Packet Tea Division (which produces EMD) employs 3,400 people. *See* Petition at 40. While the Department agrees it is appropriate to exclude non-EMD related labor expenses from the denominator of the overhead ratio, we do not agree it is appropriate to deduct EMD related labor expenses. Therefore, the Department added EMD-related labor expenses into the overhead ratio and COM calculations. The Department then applied the ratio to the labor expense inclusive COM as per its standard practice. With regard to SG&A, Petitioner calculated a ratio by dividing all the SG&A expense by Eveready India's total COM (inclusive of labor expenses). *See Initiation Checklist*.

Eveready India did not report a profit in its financial statements, therefore, Petitioner based the profit ratio on aggregate data published by the Reserve Bank of India ("RBI") (*See Final Determination of the Antidumping Duty Investigation of Saccharin from the People's Republic of China*, (Issues and Decision Memoranda at Comment 9) 68 FR 27530 (May 20, 2003)), for the accounting period 2000–2001, the most current data available from the RBI. Petitioner calculated profit as a percentage of the COP for public companies and private companies, and then averaged these two ratios to obtain a single profit ratio. *See Initiation Checklist*.

After revising the NV calculation submitted by Petitioner as discussed above, the Department accepted Petitioner's calculation of NV for initiation purposes based on the above arguments which resulted in an estimated dumping margin of 31.38 percent. *See Initiation Checklist* at Attachment V.

Fair Value Comparisons

Based on the data provided by Petitioner, there is reason to believe imports of EMD from Australia, Greece, Ireland, Japan, South Africa and the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

With respect to Australia, Greece, Ireland, Japan, South Africa and the PRC, Petitioner alleges that the U.S.