

occurring in the United States, including direct selling expenses (*i.e.*, bank charges and imputed credit expenses), and indirect selling expenses (including inventory carrying costs and other indirect selling expenses).

We note that, in their November 6, 2003, comments on the preliminary determination, the petitioners argued that the Department should deduct from CEP the indirect selling expenses incurred by Funai Electric Co., Ltd. (Funai Electric) in Japan on sales to the United States. The petitioners claim that these indirect expenses incurred by Funai Electric are associated with sales to unaffiliated customers made by Funai Corporation, Inc. (Funai Corporation), Funai Malaysia's affiliated reseller in the United States.

As noted above, pursuant to 19 CFR 351.402(b), we deduct from CEP those selling expenses associated with commercial activities occurring in the United States that relate to the sale to an unaffiliated purchaser, no matter where or when paid. This regulation also states that the Department will not make any adjustment to CEP for any expense that is related solely to the sale to an affiliated importer in the United States. The information on the record indicates that Funai Electric's selling functions are limited to: (1) Inputting and processing of orders of Funai Malaysia's merchandise made by Funai Corporation; (2) customer interaction (*i.e.*, with Funai Corporation); and (3) sales logistics associated with transporting the merchandise from Malaysia to Funai Corporation's designated place of delivery. None of these selling functions indicate that Funai Electric incurred selling expenses associated with economic activities occurring in the United States on the sale to unaffiliated customers. Rather, the selling functions performed, and the selling expenses incurred, appear to be associated only with Funai Electric's sales to Funai Corporation. Therefore, because the evidence on the record does not support the petitioners' contention that Funai Electric's indirect selling expenses incurred in Japan are: (1) Associated with commercial activities in the United States; and (2) related to the sale to an unaffiliated purchaser, we have not deducted these expenses from CEP.

Pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at CEP. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by Funai Malaysia and its affiliate on their sales of the subject merchandise in

the United States and the profit associated with those sales.

Normal Value

A. Home Market Viability

In order to determine whether there was 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 equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act.

Funai Malaysia reported that during the POI it made no home market sales of foreign like product. Sales to Funai Malaysia's largest third-country market, Japan, were not greater than five percent of the aggregate volume of U.S. sales of the subject merchandise. Therefore, we determined that neither the home market nor any third country market was a viable basis for calculating NV. As a result, we used CV as the basis for calculating NV, in accordance with section 773(a)(4) of the Act.

B. Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade as the EP or CEP. The NV level of trade (LOT) is that of the starting-price sales in the comparison market or, when NV is based on CV, that of the sales from which we derive selling, general and administrative expenses (SG&A) and profit. For EP, the U.S. LOT is also the level of the starting-price sale, which is usually from exporter to importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than EP or CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison market sales at the level of trade of the export transaction, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in levels between

NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP-offset provision). See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 23761 (Nov. 19, 1997).

In this investigation, we found that Funai Malaysia had no viable home or third country market. When NV is based on CV, the NV LOT is that of the sales from which we derive SG&A expenses and profit (see *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Fresh Atlantic Salmon from Chile*, 63 FR 2664 (Jan. 16, 1998)). In accordance with 19 CFR 351.412(d), the Department will make its LOT determination under paragraph (d)(1) of this section on the basis of sales of the foreign like product by the producer or exporter. Because it is not possible in the instant case to make an LOT determination on the basis of sales of the foreign like product in the home or third country market, the Department may use sales of different or broader product lines, sales by other companies, or any other reasonable basis. Because we based the selling expenses and profit for Funai Malaysia on the weighted average selling expenses incurred and profits earned by another Malaysian producer of comparable merchandise who was not party to this investigation, there is insufficient information on the record in this investigation to allow the Department to make an LOT adjustment or grant a CEP offset to the CVs reported by Funai Malaysia.

Calculation of Constructed Value

In accordance with section 773(e) of the Act, we calculated CV based on the sum of Funai's cost of materials and fabrication for the foreign like product, plus amounts for SG&A, profit, and U.S. packing costs. We relied on the submitted CV information for Funai Malaysia, except in the following instances where the reported costs were not appropriately quantified or valued.

- We revised the company's reported general and administrative (G&A) expenses to include Funai Malaysia's net G&A expenses.

- We calculated the company's CV profit and domestic selling expense ratios using the financial statements of a surrogate Malaysian company that sold merchandise that is in the same general category of products as the subject merchandise, using data that was contemporaneous to the POI.

For further discussion of these adjustments, see the memorandum from Mark Todd to Neal Halper, entitled