Period of Investigation

The period of investigation (POI) is January 1, 1994, through June 30, 1994.

Applicable Statute and Regulations

Unless otherwise indicated, all citations to the Statute and to the Department's regulations are in reference to the provisions as they existed on December 31, 1994.

Such or Similar Comparisons

We have determined for purposes of the preliminary determination that OCTG covered by this investigation comprises a single category of ''such or similar'' merchandise within the meaning of section 771(16) of the Act. Where there were no sales of identical merchandise in the third country to compare to U.S. sales, we made similar merchandise comparisons on the basis of: (1) Seamless or welded; (2) grade; (3) end finish; (4) outside diameter; (5) length; (6) normalization; and (7) wall thickness, as listed in Appendix V of the Department's antidumping questionnaire. We made adjustments, where appropriate, for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act.

Fair Value Comparisons

To determine whether TAMSA's sales of OCTG from Mexico to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the ''United States Price'' and ''Foreign Market Value'' sections of this notice.

United States Price

We based USP for some U.S. sales on purchase price, in accordance with section 772(b) of the Act, because the subject merchandise was sold to unrelated purchasers in the United States prior to importation and there was no other indication that exporter's sales price (ESP) methodology should be used. However, where certain sales to the first unrelated purchaser took place after importation into the United States, we based USP on ESP, in accordance with section 772(c) of the Act.

We have preliminarily determined that the sales of further manufactured merchandise classified by respondent as purchase price sales were, instead, ESP sales because: (1) The further manufacturing of the OCTG was performed by a related U.S. entity; and (2) the merchandise was stored in TAMSA's related U.S. entity's stockyard prior to further manufacturing. It is the Department's practice to treat sales made prior to importation that undergo further manufacturing in the United States as ESP sales when the sales are handled by a related U.S. entity (see Final Determination of Sales at Less Than Fair Value: New Minivans from Japan (57 FR 21937, May 26, 1992)).

For OCTG that was further manufactured in the United States, we deducted all value added in the United States, pursuant to section 772(e)(3) of the Act. The value added consists of the costs of the materials, fabrication, and general expenses associated with the portion of the merchandise further manufactured in the United States, as well as a proportional amount of profit attributable to the value added. We accepted TAMSA's cost data without making any adjustments for purposes of the preliminary determination. We calculated profit by deducting from the sales price of the finished product all production and selling costs incurred by the company. We then allocated the total profit proportionately to all components of costs. We deducted only the profit attributable to the value added. In determining the costs incurred to produce the finished merchandise, we included: (1) Materials; (2) fabrication; and (3) general expenses including selling (SG&A), and interest expense, in accordance with 19 CFR 353.41(e)(3).

We calculated purchase price and ESP based on FOB prices. For purchase price and ESP sales, we made deductions from gross unit price, where appropriate for foreign brokerage, foreign inland freight, marine insurance, ocean freight, U.S. duty, U.S. inland freight, U.S. brokerage, and load-in/load-out expenses, in accordance with section 772(d) of the Act.

For ESP sales only, we deducted credit expenses, quality inspection costs, indirect selling expenses, inventory carrying costs, and product liability premiums, in accordance with section 772(e) of the Act.

We made no adjustments for packing because the respondent reported that the OCTG was not packed before shipment.

For certain sales, TAMSA had not yet shipped or received payment for the sale. In order to calculate credit expenses, we assigned the average number of credit days when shipment and payment dates were missing, and used the date of the preliminary determination, January 26, 1995, as the assumed payment date when only payment dates were missing (see the January 26, 1995, concurrence memorandum).

Foreign Market Value

We compared the volume of home market sales of subject merchandise to the volume of third country sales to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating FMV in accordance with 19 CFR 353.48(a). Pursuant to 19 CFR 353.48, we found that the home market was not viable because it represented less than five percent of the amount sold to third countries. We therefore based FMV on third country sales.

We determined, pursuant to 19 CFR 353.49(b), that Saudi Arabia is the most appropriate third country market because: (1) The volume of TAMSA's Saudi Arabian sales during the POI was the largest of any third country; (2) the merchandise exported to Saudi Arabia is most similar or identical to the merchandise exported to the United States; and (3) the Saudi Arabian market, in terms of organization and development, is similar to that of the U.S. market. However, the petitioner has questioned the legitimacy of certain sales made by TAMSA to the Saudi Arabian market. The Department intends to scrutinize these sales at verification.

We calculated FMV based on C&F prices to unrelated customers in Saudi Arabia. In light of the Court of Appeals for the Federal Circuit's (CAFC) decision in *Ad Hoc Committee of AZ–NM–TX–FL Producers of Gray Portland Cement* v. *United States,* Slip. Op. 93–1239 (Fed. Cir., January 4, 1994), the Department no longer can deduct third country market movement charges from FMV pursuant to its inherent power to fill in gaps in the antidumping statute. Instead, we will adjust for those expenses under the circumstance-of-sale provision of 19 CFR 353.56(a), as appropriate. Accordingly, in the present case, we deducted from FMV the following direct selling expenses pursuant to 19 CFR 353.56(a): Post-sale foreign brokerage, foreign inland freight, and ocean freight expenses.

For purchase price comparisons, pursuant to section 773(a)(4)(B) of the Act and 19 CFR 353.56(a)(2), we made circumstance-of-sale adjustments for direct selling expenses, which included credit and commissions, in accordance with 19 CFR 353.56(a)(2). We deducted commissions incurred on third country sales and added U.S. indirect selling expenses, capped by the amount of third country commissions. Total U.S. indirect selling expenses included U.S. inventory carrying costs, indirect selling expenses incurred in Mexico on U.S. sales and expenses incurred in the