The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Roldan, S.A	4.72
All Others	4.72

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 777(i) of the Act.

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

(A–580–829)

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod From Korea

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: July 29, 1998.

FOR FURTHER INFORMATION CONTACT: Cameron Werker or Frank Thomson, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–3874 or (202) 482–5254, respectively.

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act), are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department's regulations are to the regulations at 19 CFR part 351, 62 FR 27296 (May 19, 1997).

Final Determination

We determine that stainless steel wire rod (SSWR) from Korea is being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

The preliminary determination in this investigation was issued on February 25, 1998. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod from Korea*, 63 FR 10825 (March 5, 1998) (*Preliminary Determination*). Since the preliminary determination, the following events have occurred:

In March 1998, we issued supplemental questionnaires to and received responses from three respondents in this case, Changwon Specialty Steel Co., Ltd. (Changwon), Dongbang Special Steel Co., Ltd. (Dongbang), and Pohang Iron and Steel Co., Ltd. (POSCO).

In April 1998, we verified the sales and cost questionnaire responses of these three companies. In June 1998, Changwon submitted a revised U.S. sales database at the Department's request.

The petitioners (*i.e.*, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and the United Steel Workers of America, AFL-CIO/CLC) and the respondents submitted case briefs on June 5, 1998, and rebuttal briefs on June 10, 1998. At the request of all parties, the public hearing scheduled for June 11, 1998, was canceled.

Scope of Investigation

For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire-drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches diameter. Two stainless steel grades, SF20T and K-M35FL, are excluded from the scope of the investigation. The chemical makeup for the excluded grades is as follows:

SF20T

Carbon	0.05 max.
Manganese	2.00 max.
Phosphorous	0.05 max.
Sulfur	0.15 max.
Silicon	1.00 max.
Chromium	19.00/21.00
Molybdenum	1.50/2.50
Lead	added (0.10/0.30)
Tellurium	added (0.03 min)

K–M35FL

Carbon	0.015 max.
Silicon	0.70/1.00
Manganese	0.40 max.
Phosphorous	0.04 max.
Sulfur	0.03 max.
Nickel	0.30 max.
Chromium	12.50/14.00
Lead	0.10/0.30
Aluminum	0.20/0.35

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation (POI) is July 1, 1996, through June 30, 1997.

Affiliation and Collapsing of Respondents

For the reasons stated in the *Preliminary Determination*, we have continued to collapse POSCO and Changwon as affiliated producers in accordance with section 351.401(f) of our regulations. Furthermore, as stated in the *Preliminary Determination*, we examined more closely at verification

the issue of affiliation between POSCO/Changwon and Dongbang, particularly with respect to the factors surrounding a close supplier relationship between the entities. As a result of our analysis, we determined that these companies are affiliated within the meaning of section 771(33)(G) of the Act and section 351.102(b) of the Department's regulations through a close supplier relationship in which POSCO/Changwon is operationally in a position to exercise restraint or direction over Dongbang. Moreover, we found that these producers have production facilities for identical or similar products that would not require substantial retooling of either facility in order to restructure manufacturing priorities, and that there is significant potential for the manipulation of price and production. Therefore, in accordance with section 351.401(f) of our regulations, we collapsed POSCO/Changwon and Dongbang as a single entity for purposes of our final dumping analysis. For further discussion, see *POSCO Comment 2* in the ''Interested Party Comments'' section of this notice. We note that prior to collapsing these entities, it was necessary to make certain adjustments to each of the individual companies' submitted data, based on verification findings and our positions discussed in this notice. These adjustments are discussed below in the appropriate sections of this notice.

Fair Value Comparisons

To determine whether sales of SSWR from Korea to the United States were made at less than fair value, we compared the Export Price (EP) to the Normal Value (NV). Our calculations followed the methodologies described in the preliminary determination, except as noted below and in company-specific analysis memoranda dated July 20, 1998.

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX* v. *United States*, 133 F.3d 897 (Fed Cir.1998). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using constructed value (CV) as the basis for foreign market value when the Department finds home market sales to be outside the ''ordinary course of trade.'' This issue was not raised by any party in this proceeding. However, the URAA amended the definition of sales outside the ''ordinary course of trade'' to include sales below cost. *See* Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the ''ordinary course of trade.'' Instead, the Department will use sales of similar merchandise, if such sales exist. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison. Therefore, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the ''Scope of Investigation'' section of this notice, above, that were in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics listed in Sections B and C of our antidumping questionnaire. We have implemented the Court's decision in this case, to the extent that the data on the record permitted.

We made product comparisons based on the same characteristics and in the same general manner as that outlined in the preliminary determination. As in the preliminary determination, in instances where a respondent has reported a non-AISI grade (or an internal grade code) for a product that falls within an AISI category, we have used the actual AISI grade rather than the non-AISI grade reported by the respondents for purposes of our analysis. In instances where the chemical content ranges of a reported non-AISI grade (or an internal grade code) are outside the parameters of an AISI grade, we have used the internal grade code reported by the respondents for analysis purposes. However, in instances in which an internal grade matches all the specified chemical content tolerance ranges of an AISI grade, but the internal grade also contains amounts of chemicals that are not otherwise specified as being included in the standard AISI designation, we have used the corresponding AISI grade rather than the internal grade. For further discussion, see *General Comment 1* in the ''Interested Party Comments'' section of this notice.

In addition, since we have determined that Dongbang, Changwon, and POSCO comprise one entity for this final determination, consistent with *Certain Cold-Rolled and Corrosion-Resistant Carbon Flat Products from Korea,* 62 FR 18417 (April 15, 1997) (*1997 Flat Products from Korea),* we have treated any sales made between the parties comprising the single entity as intra-company transfers, and have disregarded them from our analysis accordingly.

Export Price

We used EP methodology as defined in section 772(a) of the Act. *See Changwon Comment 4* in the ''Interested Party Comments'' section of this notice for a discussion regarding the classification of U.S. sales reported by Changwon. We calculated EP based on the same methodology used in the preliminary determination, with the following exceptions:

A. Data Reported by Changwon

1. We corrected for certain clerical errors found during verification with respect to: 1) the ocean freight expense for six U.S. sales and 2) the packing costs for the export (Hessian) packing type.

2. We recalculated duty drawback based on rebates which had actually been received by Changwon, as explained in *Changwon Comment 6* in the ''Interested Party Comments'' section of this notice.

B. Data Reported by Dongbang

1. In accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we reclassified internal grade XM–7 as AISI grade 302, given that the chemical content tolerances for grade XM–7 fell within those for AISI grade 302.

2. We corrected for clerical errors found during verification regarding the actual bank charges for seven U.S. sales.

3. We corrected for errors in Dongbang's brokerage charges, as explained in *Dongbang Comment 8* in the ''Interested Party Comments'' section of this notice.

Normal Value

We used the same methodology to calculate NV as that described in the preliminary determination, with the following exceptions:

A. Data Reported by Changwon

1. In accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we reclassified internal grades SUS 304HC and AISI 304HC as AISI grade 304, given that the content tolerances for

grades SUS 304HC and AISI 304HC fell within those for AISI grade 304.

2. We corrected for certain clerical errors found during verification with respect to: (1) the average credit period (*i.e.*, accounts receivable turnover period) for seven home market customers, (2) the warranty expense for one home market sale, and (3) the packing costs for domestic (Hessian) and domestic (Bare) types of home market packing.

3. We recalculated duty drawback for home market local sales (*i.e.*, domestic sales to customers who consume the merchandise in Korea in the production of finished goods for export, the destination of which is unknown to Changwon at the time of sale) based on rebates which had actually been received by Changwon, as explained in *Changwon Comment 6* in the ''Interested Party Comments'' section of this notice.

B. Data Reported by Dongbang

1. In accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we reclassified internal grade XM–7 as AISI grade 302, given that the chemical content tolerances for grade XM–7 fell within those for AISI grade 302.

2. We corrected for certain clerical errors found during verification, including (1) the date of payment for three home market local sales, (2) the average credit period for one home market customer, and (3) the interest revenue for three home market customers and the interest revenue ratio applicable to three other home market sales.

Cost of Production

Before making any fair value comparisons, we conducted the cost of production (COP) analysis for the reasons stated in the *Preliminary Determination*. Based on our decision to collapse POSCO, Changwon, and Dongbang as a single entity, we calculated the weighted-average COP, by model, based on the sum of each respondent's cost of materials and fabrication for the foreign like product at the level in which each respondent was responsible for manufacturing operations. In addition, we included amounts for home market selling, general, and administrative (SG&A) expenses for each company involved in the manufacture of each given product, and packing costs in accordance with section 773(b)(3) of the Act. We relied on the submitted COPs except in the following specific instances where the submitted costs were not appropriately quantified or valued:

A. Data Reported by Changwon

1. As stated above, we computed the weighted-average COP, by model, based on the sum of each respondent's cost of materials and fabrication for the foreign like product at the level in which each respondent was responsible for manufacturing operations. Therefore, for products produced by Changwon which included material inputs from POSCO, the COP was calculated by adding POSCO's applicable cost of manufacturing (COM) and general expenses to Changwon's applicable costs.

2. In accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we reclassified internal grades SUS 304HC and AISI 304HC as AISI grade 304 given that the chemical content tolerances for grades SUS 304HC and AISI 304HC fell within those for AISI grade 304.

3. As stated in *Changwon Comment 2* in the ''Interested Party Comments'' section of this notice, we increased Changwon's reported indirect selling expenses by the unreported recognized bad debt expenses. We also increased Changwon's reported general and administrative (G&A) expenses for foundation, business start-up, and stock issuance expenses.

4. We used G&A and interest expense data from POSCO's 1996 financial statements and G&A expense data from Changwon's 1997 financial statements in the calculation of COP. *See Changwon Comment 3* in the ''Interested Party Comments'' section of this notice.

B. Data Reported by Dongbang

1. As stated above, we computed the weighted-average COP, by model, based on the sum of each respondents' cost of materials and fabrication for the foreign like product at the level in which each respondent was responsible for manufacturing operations. Therefore, for products produced by Dongbang which included material inputs from POSCO, the COP was calculated by adding POSCO's applicable COM and general expenses to Dongbang's applicable costs. In attempting to merge the cost data provided by POSCO and Dongbang for COP calculation purposes, we found that for three steel grades sold by Dongbang and POSCO with the same internal codes, the chemical specifications were slightly different. Company officials stated at verification that Dongbang's internal grade codes are the same as POSCO's for reasons of efficiency in ordering and production (*see* Memorandum for Holly Kuga from Cameron Werker and Frank Thomson Re: Verification of the Responses of Dongbang Special Steel Co., Ltd. in the Antidumping Duty Investigations of Stainless Steel Wire Rod from the Republic of Korea, dated May 29, 1998 at page 5). Therefore, in order to assign the POSCO cost portion of the COP of these three products, we applied facts otherwise available in accordance with section 776(a) of the Act. As facts available, we used POSCO's reported costs for the same internal grade code (*see Sales, Cost of Production (''COP''), and Constructed Value (''CV'') Adjustment Calculations in the Final Determination of Stainless Steel Wire Rod from the Republic of Korea—Changwon Specialty Steel Co., Ltd., Dongbang Special Steel Co., Ltd., and Pohang Iron and Steel Co., Ltd. (POSCO),* dated July 20, 1998) (*Final Determination Calculation Memorandum*).

2. In accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we reclassified internal grade XM–7 as AISI grade 302 given that the chemical content tolerances for grade XM–7 fell within those for AISI grade 302.

3. As stated in *Dongbang Comments 3 and 4* in the ''Interested Party Comments'' section of this notice, we increased Dongbang's G&A expenses for recognized net foreign exchange losses related to accounts except accounts receivable, and excluded from Dongbang's G&A calculation the disputed reversal of bad debt allowance.

We conducted our sales-below-cost test in the same general manner as that described in our preliminary determination. However, for purposes of the final determination, given that we collapsed POSCO/Changwon and Dongbang, the sales-below-cost test was conducted on Changwon's and Dongbang's home market sales on a consolidated basis. As in the preliminary determination, we did not include POSCO's home market sales of black coil for product comparison purposes, and, therefore, these sales were excluded from the sales-below-cost test.

We found that, for certain models of SSWR, more than 20 percent of Dongbang's and Changwon's home market sales within an extended period of time were at prices less than the COP. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining above-cost sales as the basis

for determining NV, in accordance with section 773(b)(1). For those U.S. sales of SSWR for which there were no comparable home market sales in the ordinary course of trade, we compared EPs to CV in accordance with section 773(a)(4) of the Act.

Constructed Value

In accordance with section 773(e) of the Act, we calculated CV based on the sum of the respondents' cost of materials and fabrication for the U.S. products at the level in which each respondent was responsible for manufacturing operations. We also included appropriate amounts for G&A expenses, U.S. packing costs, direct and indirect selling expenses, interest expenses, and profit. We relied on the submitted CVs except for specific changes described above in the ''Cost of Production'' section. In addition, for Dongbang, in accordance with the Department's position in *General Comment 1* in the ''Interested Party Comments'' section of this notice, we have reclassified internal grade XM–7 as AISI grade 302 given that the chemical content tolerances for grade XM–7 fell within those for AISI grade 302.

Price-to-Price Comparisons

We made price-to-price comparisons using the same methodology as that described in the preliminary determination.

Price-to-CV Comparisons

We made price-to-CV comparisons using the same methodology as that described in the preliminary determination.

Currency Conversion

As in the preliminary determination, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank in accordance with Section 773A of the Act.

Interested Party Comments

General

Comment 1: Product Codes

Petitioners state that the Department should ensure that all product codes designated by respondents correspond to standard AISI codes for matching purposes. Petitioners maintain that respondents should not be permitted to rely on internal grade designations for products that would otherwise fit within a standard AISI grade simply because they have added small amounts of chemicals (*e.g.,* copper or molybdenum) that are not otherwise specified as being included in the standard AISI grade designation.

Petitioners urge the Department to ensure that all internal product codes designated by the respondents in their questionnaire responses correspond to a standard AISI code for matching purposes. Otherwise, the petitioners assert, the methodology of relying on internal grade designations for products that are only sold in the home market impermissibly allows respondents to exclude certain high-priced sales in the home market from the model match process simply by giving selected internal grade designations a special code in the model match process that would never then be compared to a U.S. sale of a similar product with a different grade code.

Changwon and Dongbang argue that if an internal grade does not fall within the chemical content ranges of an AISI grade, there is no basis to conclude that the merchandise within the internal grade has similar component materials, commercial value, or uses as the merchandise within an AISI grade. Changwon and Dongbang state that petitioners' argument is unreasonable and speculative. Changwon and Dongbang state that the Department should continue to apply its model match methodology from the *Preliminary Determination.*

DOC Position

We agree with both petitioners and respondents, in part. We agree with respondents regarding the designation of internal grade codes for model matching purposes. As in the preliminary determination, we have continued to utilize a methodology in which we reclassified any internal grade code as an AISI grade if it fell within the chemical content tolerance ranges provided by internationally-accepted standards. In instances in which the properties of an internal grade did not match the specified chemical content tolerance ranges of any AISI grade, we have continued to recognize the internal grade as the appropriate grade for product comparison purposes.

However, we also agree with petitioners that in instances in which an internal grade matches all the specified chemical content tolerance ranges of an AISI grade, but that the internal grade also contains amounts of chemicals (*e.g.,* copper or molybdenum) that are not otherwise specified as being included in the standard AISI designation, it is appropriate to classify the internal grade as the AISI grade. Therefore, we have reclassified all such internal grades as AISI grades accordingly. *See Final Determination Calculation Memorandum*) for further discussion of the models that were reclassified.

POSCO

Comment 1: POSCO's Cost Verification

Petitioners argue that it is clear from the record that POSCO failed its cost verification because the Department was unable to verify POSCO's cost of production submissions. Specifically, petitioners maintain that POSCO officials deliberately withheld POSCO's actual trial balance with account codes from the verification team. Petitioners interpret the cost verification report to mean that POSCO company officials denied the existence of a trial balance which contained account codes when one was requested by the verification team. Petitioners maintain that the verification team learned from POSCO's independent auditors that such a trial balance did exist. Petitioners further maintain that POSCO's failure to provide a proper trial balance prevented the Department from reconciling POSCO's overall costs and also prevented the Department from verifying the cost information submitted by POSCO. Petitioners state that POSCO's failure to present usable 1996 and 1997 trial balances to reconcile POI COM costs, as requested by the Department, forced the Department to review instead the inventory ledger and attempt to reconcile it to the COM for the POI. As a result, petitioners assert that POSCO failed its cost verification. Petitioners argue that POSCO's decision not to cooperate with the verification team means that POSCO withheld information requested by the Department, and failed to provide information in the form and manner requested, with the result that POSCO significantly impeded the proceeding.

Petitioners further argue that because POSCO failed to cooperate by not acting to the best of its ability to comply with a request for information, the Department should use an adverse inference in determining the facts available for POSCO's unverified cost information. Petitioners cite several cases in which the Department has resorted to total adverse facts available when the Department was unable to verify costs and other significant information (*e.g., Certain Welded Carbon Steel Pipes and Tubes from Thailand* (62 FR 53808, October 16, 1997) and *Certain Cut-to-Length Carbon Steel Plate from Sweden* (62 FR 18396, April 15, 1997)).

Furthermore, petitioners maintain that because Changwon, POSCO's wholly-owned subsidiary, and POSCO

are collapsed for sales and margin purposes for this investigation, and because POSCO failed verification, the combined POSCO/Changwon entity has failed verification and, therefore, total adverse facts available should be applied to the combined entity.

In the alternative, petitioners argue that if the Department does not collapse Changwon and POSCO for the final determination, as a surrogate for POSCO's COP, the Department should choose the higher of the following two measures: (1) The total of the highest amounts paid by Changwon for each element in its COP for subject merchandise, or (2) the highest NV from the petition.

Moreover, if the Department determines that POSCO and Changwon should not be collapsed, petitioners maintain that the Department should apply the ''major input'' rule and the ''transactions disregarded'' rule to the transfers between POSCO and Changwon, using the higher of the two surrogates described above as a proxy for POSCO's COP and then comparing that proxy with the market price and the transfer price to determine which is higher. Moreover, petitioners contend that because black coil is within the scope of this investigation, the prices for transfers of black coil from POSCO to Changwon should be subject to the arm's-length test.

Changwon and POSCO (Changwon/POSCO) jointly state that the Department has fully verified the actual COM inputs transferred from POSCO to Changwon. Changwon/POSCO claim that, while the Department's cost verification report asserts that the Department was unable to reconcile the trial balance to the audited financial statements in the manner it originally intended, the report indicates that the Department successfully reconciled the trial balance to the audited financial statements. Specifically, Changwon/POSCO state that POSCO initially provided the Department with its trial balance (without account codes) maintained in the ordinary course of business. At the Department's request, POSCO also created a trial balance that contained account codes. The Department examined the trial balance, compared it to the trial balance used by POSCO's auditors, and confirmed that the trial balance reconciled to the audited financial statements.

Changwon/POSCO next address the section of the cost verification report that states that POSCO officials did not provide either a reconciliation from the cost accounting system to the costs recorded in the trial balance, or schedules showing the activity for each home base product group (HBPV) (also called home base product value), *i.e.*, the beginning balance, the current period's manufacturing costs, the value of the product removed from inventory, and the ending balances of the HBPG. Changwon/POSCO disagree, stating that POSCO did provide a reconciliation of the costs recorded in POSCO's cost accounting system and the audited financial statements, and that the trial balance likewise reconciles to the costs recorded in the cost accounting system. Changwon/POSCO add that POSCO did not provide separate schedules showing the activity for each HBPG but, as is described in the verification report, all of the requested information was available directly from the inventory ledgers themselves.

Changwon/POSCO assert that the Department fully verified the reported control number-specific costs by successfully reconciling the representative product group values used to calculate the control number-specific costs to the corresponding HBPG's, and reconciling these values to the audited financial statements. Changwon/POSCO state that this is demonstrated in the Department's verification report.

Furthermore, Changwon/POSCO refute petitioners argument that the Department was unable to perform an overall reconciliation, asserting that nowhere in the verification report does the Department indicate that POSCO's reported costs could not be traced to the costs recorded in POSCO's financial and cost accounting systems.

Changwon/POSCO assert that POSCO has cooperated fully with the Department and that, contrary to petitioners' allegations, POSCO has been fully responsive to the Department's requests for information. Changwon/POSCO also state that POSCO did not withhold documents from the Department at the cost verification and argue that the cost verification report confirms this fact.

Changwon/POSCO maintain that, if the Department were to find that it was dissatisfied with POSCO's reconciliation of its reported costs, application of total adverse facts available to the collapsed entity would be unwarranted. Changwon/POSCO contend that the Department may only apply total facts available to a respondent if it finds that the entire response is no longer usable, which according to respondents, is not the case in this situation. Changwon/POSCO argue that if the Department were to make an adjustment to POSCO's reported costs, it would be confined to modifying the adjustment factor applied to Changwon's COM.

Finally, Changwon/POSCO maintain that the cases cited by petitioners in support of their argument for adverse facts available are irrelevant in this case because the Department has fully verified POSCO's submitted costs and the facts of those cases are totally distinguishable from those in this case.

DOC Position

We disagree with petitioners. POSCO did not fail its cost verification, as we were able to successfully verify POSCO's COP submissions. Contrary to petitioners' interpretation of the cost verification report, we do not agree that POSCO's failure to provide a trial balance with account codes prevented the Department from reconciling POSCO's overall costs and that it also prevented the Department from verifying the cost information submitted by POSCO. Upon request, POSCO provided two separate trial balances; one with account codes and one with account names. The trail balance with only account names was maintained in the ordinary course of business. The balances on these two trial balances were equal and reconciled to the financial statements. We also do not agree with petitioners that POSCO failed to cooperate with the Department in a manner that significantly impeded the verification proceeding. In fact, we were able to perform several additional procedures, including a reconciliation of the inventory ledger, from which the reported per-unit costs were derived, to the financial statements. *See* Memorandum from Michael Martin and Cameron Werker to Irene Darzenta Re: Verification Report on the Cost of Production and Major Input Cost Data submitted by Pohang Iron and Steel Co., Ltd. Therefore, we have accepted POSCO's reported cost information for purposes of this final determination. Regarding the portion of petitioners argument pertaining to collapsing of POSCO and Changwon, see *POSCO Comment 2* in the ''Interested Party Comments'' section of this notice.

Comment 2: Affiliation between POSCO and Dongbang

Petitioners claim that the relationship between Dongbang and POSCO satisfies all of the statutory and regulatory requirements necessary for the Department to find that these two companies are affiliated. Petitioners cite section 771(33)(G) of the Act, which states that ''a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the

other person.'' Petitioners note that actual restraint or direction need not have been exercised in a relationship, only that one person is ''in a position'' to exercise restraint or direction over another. Petitioners further state that section 351.102(b) of the Department's regulations states that the Department will not find control based on factors such as the existence of franchise or joint venture agreements, debt financing, and close supplier relationships in determining the existence of control ''unless the relationship has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise or foreign like product.'' Petitioners stress that the potential impact on the decision-making process is the key criterion, not actual exercise of that potential.

Petitioners argue that POSCO exercises control over Dongbang primarily through a close buyer-supplier relationship. Petitioners state that in *Open-End Spun Rayon Singles Yarn from Austria* (62 FR 43707, August 15, 1997) (*Yarn from Austria*), the Department focused on a ''majority of sales'' rule in determining whether a close supplier relationship existed, not whether the supplier could be replaced. Petitioners maintain that the POSCO/Changwon collapsed entity is a supplier of Dongbang's input and has the ability to control Dongbang by threatening to slow or stop deliveries, threatening to increase prices, or actually taking these steps. Petitioners argue that the Department's verification confirmed the cohesive nature of the buyer-supplier relationship between POSCO and Dongbang. Specifically, petitioners state that POSCO's recent decision to stop production of black coil has no effect on this relationship given that Changwon, which is collapsed with POSCO, ''assumed the responsibility of producing black coil for the POSCO Group.'' Moreover, petitioners state, POSCO/Changwon's status as the only supplier of black coil in Korea enhances its control of Dongbang. Petitioners assert that as a result of the level of control POSCO maintains over Dongbang, the two companies must be deemed affiliated parties.

In addition to the close supplier relationship, petitioners argue that a variety of other indicia of control, when considered cumulatively, demonstrate that POSCO controls Dongbang. For example, petitioners contend POSCO may exercise indirect control of more than five percent of the voting stock of Dongbang through POSCO's relationship with POSTECH. Petitioners also state that POSCO's interlocking directorate scheme with POSTECH, donations to POSTECH, their co-location, and other indicia of control add overwhelming evidence of POSCO's effective, albeit extralegal, control of Dongbang.

Petitioners further argue that the Department's regulations and past cases demonstrate that more than one company can exercise control over another and, thus, Dongbang's membership in the Dongbang group does not preclude POSCO from exercising control over Dongbang (*see Welded Carbon Steel Pipes and Tubes from Thailand* (62 FR 53814, October 16, 1997)).

Petitioners also argue that because POSCO and Dongbang are affiliates, the Department should invoke the major input rule in evaluating the sale of black coil, which is the foreign like product, from POSCO to Dongbang.

In determining whether two parties are affiliated based on a buyer-supplier relationship, Dongbang argues that the Department must find that one of the parties is in fact reliant upon the other, as stated in the Statement of Administrative Action (SAA). Dongbang further argues that section 351.102(b) of the Department's regulations indicates that one of the parties must have the ''potential to impact the other party's decisions concerning production, pricing, or cost of the subject merchandise.'' Dongbang maintains that the term ''potential'' indicates that not only must there be a possibility that a party will exert control over the other party, but that there is an inherent likelihood that control could be exerted. Citing *1997 Flat Products from Korea*, Dongbang asserts that the Department must find significant indicia of control and the standard is not whether one company might be in a position to become reliant upon another by means of a supplier-buyer relationship, but that the buyer has, in fact, become reliant upon the seller, or *vice versa*. As a result, Dongbang maintains that only after an initial finding that a buyer or supplier has become reliant upon the other can the Department examine whether a realistic potential for control, whereby one of the parties is in a position to exercise restraint or control over the other, exists based upon that actual reliance.

Dongbang maintains that the fact that petitioners were unable to cite a single case in which the Department found that a buyer-supplier relationship constituted sufficient potential control to support a finding of affiliation, confirms that the Department is applying the buyer-supplier relationship provision cautiously to stay mindful of the commercial and business realities of the marketplace. Dongbang maintains that even though the Department indicated in *Yarn from Austria* that a close buyer-supplier relationship may occur if a majority of a supplier's sales are to one customer, the Department determined that the existence of this situation does not alone support the finding of affiliation. Likewise, Dongbang notes that in *Furfuryl Alcohol from the Republic of South Africa*, 62 FR 61086 (November 14, 1997) (*Furfuryl Alcohol from South Africa*), the Department determined that the fact that there was only one manufacturer of the subject merchandise in South Africa was insufficient to find that the manufacturer and its customers were affiliated.

In this instance, Dongbang argues that there is no evidence on the record that Dongbang is reliant upon POSCO to the extent necessary to support an affiliation finding. Dongbang contends that petitioners have only speculated that it is possible that POSCO could control Dongbang through threats of stopping deliveries or increasing prices. However, Dongbang maintains that there is no evidence that POSCO could or has exerted such control. Dongbang further maintains that the record demonstrates that it has alternate sources of black coil, as black coil is a commodity product produced by numerous suppliers around the world. In addition, Dongbang asserts that there are no long-term supply contracts or exclusive relationship commitments between Dongbang and POSCO, nor is there evidence of any law or regulation prohibiting Dongbang from purchasing black coil from any source that it desires. Dongbang argues that this fact pattern led the Department to find that POSCO and Union were not affiliated in the *1997 Flat Products from Korea* case and that the same logic applies to the instant case.

Dongbang further states that petitioners have failed to present any evidence to contradict the proposition that Dongbang's purchases of a majority of its black coil requirements from POSCO was the result of POSCO's comparative advantages, location, product quality, and other circumstances, rather than a ''special control relationship between POSCO and Dongbang.'' Dongbang again cites *1997 Flat Products from Korea* where the Department reasoned that POSCO and Union were not affiliated despite a buyer-supplier relationship, in part because, it made commercial and business sense for Union to purchase from POSCO given POSCO's

''comparative advantages'' in the marketplace.

Moreover, Dongbang disputes petitioners' other allegations that POSCO controls Dongbang. First, Dongbang maintains that the evidence on the record shows that Dongbang is under the complete and effective control of the Dongbang Group. Dongbang argues that even if POSCO controls POSTECH, which Dongbang maintains it does not, POSTECH could not control Dongbang through its partial ownership of Dongbang given the Dongbang Group's majority ownership in Dongbang and thus its active control over Dongbang. In addition, Dongbang notes that the Department confirmed at verification that POSTECH's shares in Dongbang are non-voting. Therefore, Dongbang argues, the Dongbang Group's complete ownership of 100 percent of Dongbang's voting stock, coupled with its supervision over Dongbang's operations, precludes POSCO from having control over Dongbang.

Second, Dongbang maintains that POSCO does not control POSTECH. Among other things, Dongbang asserts that POSTECH is not part of POSCO's interlocking directorship. Furthermore, Dongbang notes that the Department found at verification that POSTECH's board of directors operates on a majority-rule basis and that, as a result, POSCO officials cannot unilaterally control POSTECH's decision-making. Lastly, Dongbang states that the Department found at verification that the revenue POSTECH earns from POSCO is comparable to its percentage of revenue from other companies.

Therefore, Dongbang argues that the Department should reject petitioners' argument that Dongbang and POSCO are affiliated parties.

DOC Position

We agree with petitioners and have considered POSCO and Changwon to be affiliated with Dongbang, within the meaning of section 771(33)(G) of the Act and section 351.102(b) of the Department's regulations, for purposes of the final determination. The Department has stated in past cases that the term ''affiliated parties,'' as defined in the preamble to our proposed regulations which states that ''business and economic reality suggest that these relationships must be significant and not easily replaced,'' suggests that the Department must find significant indicia of control (*see 1997 Korean Steel*). The Department has also stated that it may consider close supplier relationships as a sufficient basis for a finding of affiliation. *See Large Newspaper Printing Presses and Components Thereof from Japan*, 61 FR 38139 (July 23, 1996) (*LNPP*). Further, we stated in *LNPP* that the Department would make its affiliated party determinations after taking ''into account all factors which, by themselves, or in combination, may indicate affiliations.''

The facts on the record in the instant case are unlike past cases such as *Yarn from Austria*, *Furfuryl Alcohol from South Africa*, and *1997 Korean Steel*, in which the Department did not find enough evidence on the record to determine that the buyer had become reliant upon the seller, or *vice versa*, and therefore, did not find a close supplier relationship. In the instant case, we found that not only is POSCO/Changwon the sole supplier and Dongbang the sole Korean buyer of black coil (the major input in the production of finished SSWR), but that Dongbang, by its own admission, has been unable to develop an alternative source of supply of black coil. Thus, the business and economic reality is that the relationship between the parties is significant and, as demonstrated by evidence on the record, not easily replaced. Furthermore, as stated above, Dongbang's business operations are almost exclusively dependent on the production of finished SSWR.

The production processes performed by POSCO, Changwon, and Dongbang are also important in determining whether or not POSCO has control over Dongbang. POSCO has the facilities to produce SSWR from the beginning of the process through the black coil production stage. Changwon is a fully integrated SSWR producer that has the capability to produce SSWR from start to finish. Dongbang, on the other hand, only has the facilities to finish black coil (*i.e.*, can only perform annealing and pickling functions). If POSCO/Changwon were to cut off the supply of black coil to Dongbang, Dongbang would not be able to produce SSWR without alternative sources of supply, which do not seem to exist for Dongbang. POSCO/Changwon indeed has greater leverage over the production of SSWR due to the fact that it bears a portion of the costs of producing the SSWR and has the facilities to perform the necessary finishing activities upon the black coil.

Given the interdependent production operations of POSCO/Changwon and Dongbang and Dongbang's inability to obtain suitable black coil from alternative sources, it is reasonable to assume that Dongbang would suffer economic hardship if POSCO/Changwon ceased to supply black coil to Dongbang. In this instance, as opposed to the past cases cited by Dongbang, Dongbang is actually reliant on POSCO/Changwon such that POSCO/Changwon is in a position of control (*i.e.*, can operationally exercise restraint or direction) over Dongbang. Moreover, given the importance of black coil to the production of SSWR, the relationship in question has the potential to impact decisions concerning the production, pricing or cost of the subject merchandise or the foreign like product under investigation.

Based on our review of the record evidence, including our findings at verification, we have determined that POSCO/Changwon are affiliated with Dongbang through a close supplier relationship in which actual reliance exists such that POSCO/Changwon is in a position of control over Dongbang (*i.e.*, can exercise restraint or direction over Dongbang).

Given that we determined POSCO/Changwon and Dongbang share a close supply relationship and are, therefore, affiliated in accordance with section 771(33) of the Act and section 351.102(b) of the Department's regulations, we then analyzed the collapsing criteria enumerated in section 351.401(f) of the Department's regulations. Both POSCO/Changwon and Dongbang have production facilities (*i.e.*, similar finishing production equipment) which can produce identical or similar SSWR. The difference in SSWR production facilities between the two entities is essentially that Dongbang has the ability to anneal and pickle the black coil purchased from POSCO/Changwon to produce finished SSWR. POSCO/Changwon has the ability to perform all processes in the production of finished SSWR, including annealing and pickling. Because POSCO/Changwon has the capability and expertise to perform all processes in the production of finished SSWR and in fact already produces subject merchandise (*i.e.*, black coil and finished SSWR), we believe that the companies would not need to engage in major retooling to shift production of the subject merchandise from one company to another. Further, although the record of this investigation demonstrates that POSCO/Changwon do not have common ownership or share common interlocking officers or directors with Dongbang, the record does indicate that there is a significant potential for price or cost manipulation among these companies given their interdependent operations, as discussed above in the affiliation analysis section.

For these, we have determined it appropriate to collapse all three producers into one entity for purposes

of our final analysis, in accordance with section 351.401(f) of the Department's regulation. For a full discussion, see the Memorandum from the Team to Holly Kuga regarding: ''Whether Pohang Iron and Steel Co., Ltd. (POSCO), and its subsidiary Changwon Specialty Steel Co., Ltd. (Changwon), are affiliated with Dongbang Special Steel Co., Ltd. (Dongbang). Whether to collapse Dongbang with the already collapsed entity POSCO/Changwon for antidumping analysis purposes,'' dated July 20, 1998.

Comment 3: POSCO's Costs of Production Used in Calculations for Changwon and Dongbang

Petitioners maintain that both Changwon and Dongbang purchased significant amounts of their input materials from POSCO. Petitioners state that Dongbang purchases all its black coil for the production of finished SSWR and that POSCO and its wholly-owned subsidiary, Changwon, supply Dongbang with this black coil. Furthermore, petitioners state that Changwon purchased blooms, billets, and black coil from POSCO. Petitioners maintain that these major inputs, especially black coil, account for the vast majority of the COP of finished SSWR. Petitioners argue that in light of the importance of the raw material inputs sourced from POSCO and the fact that the Department now lacks the ability to validate these input prices and costs (*see POSCO Comment 1* in the ''Interested Party Comments'' section of this notice), the Department should choose the higher of the two measures of facts available for POSCO's COP as described in *POSCO Comment 1* in the ''Interested Party Comments'' section of this notice.

DOC Position

We disagree with petitioners. As stated in the *DOC Position* to *POSCO Comment 1* in the ''Interested Party Comments'' section of this notice, POSCO did not fail its cost verification. Therefore, we have used POSCO's actual costs, as appropriate, for both Changwon and Dongbang, given that we have collapsed POSCO, Changwon, and Dongbang into one entity for final margin calculation purposes. *See also Changwon Comment 7* in the ''Interested Party Comments'' section of this notice for discussion of the inapplicability of the major input and fair value rules in this case.

Comment 4: Corrections to POSCO's Sales Database Based on Findings at Verification

Petitioners state that the Department should use the correct short-term interest rate found at verification. Petitioners also state that the Department should correct the amount of fees POSCO paid to outside research entities in 1997, as provided by POSCO at verification. Furthermore, petitioners contend that the Department should correct the misreported amounts for other revenue and total revenue for POSCO's 1996 Description of Revenue of POSTECH.

DOC Position

We have corrected all errors found at verification for purposes of the final determination and have considered them in our final analysis, where appropriate.

Dongbang

Comment 1: Accuracy of Dongbang's Cost Reporting

Dongbang maintains that the Department thoroughly verified and confirmed the accuracy of its reported cost information. Dongbang notes that the minor differences found by the Department between the reported per-unit costs and Dongbang's inventory values resulted from the fact that Dongbang's financial accounting system accounts for costs only by steel grade. Dongbang asserts that in order to develop control number-specific costs which accurately reflected the Department's product characteristics, it relied on source data used in preparing its financial statements. Dongbang maintains that the Department verified the accuracy of its methodology and therefore should use its reported data in the final determination.

Regarding the accuracy of Dongbang's reported cost information, petitioners note that the cost verification report states that the Department has not determined, as of the date of the report, whether the cost calculation methodologies used by Dongbang were appropriate. Petitioners further note that the cost verification report states that Dongbang allocated its fabrication costs using ''alternative allocation bases, rather than those used in its normal costs system.'' Petitioners maintain that Dongbang's deviations from its cost system were not necessitated by the questionnaire's requirement to provide control number-specific costs, but rather for self-serving purposes. Petitioners contend that the Department verified that Dongbang's new allocation methods effectively reduced the COMs for products examined. Therefore, given that Dongbang deviated from its normal cost accounting system without approval from the Department and without presenting information on the record to justify the deviation, petitioners argue that the Department should disallow Dongbang's submitted methodology for calculating its COP and CV. However, petitioners maintain that if the Department decides to use Dongbang's submitted costs, it should increase all reported COMs by the maximum percentage by which the Department found Dongbang's methodology reduced the COMs for products examined.

DOC Position

We agree with Dongbang. The Department fully verified the accuracy of Dongbang's cost reporting methodology. We found at verification that Dongbang's financial accounting system did not record costs at the level of detail requested by the Department. The Department has determined in several past cases that respondents can allocate costs to a more detailed product-specific level than their normal cost accounting methodology in order to report costs on a control number-specific basis, as required by the Department, provided that the methodology used is reasonable. *See, e.g., 1997 Flat Product from Korea and Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea,* 63 FR 13170 (March 18, 1998) (*1998 Flat Products from Korea*).

Comment 2: Dongbang's Direct and Indirect Cost Allocation Methodology

Petitioners maintain that, as stated in the Department's cost verification report, Dongbang submitted a cost allocation methodology for its direct fabrication cost centers that deviates from its normal cost system. In addition, petitioners maintain that Dongbang's methodology for allocating indirect costs as submitted for this investigation also deviates from its normal cost accounting practices and therefore should be rejected. Specifically, petitioners argue that two specific indirect costs were allocated on the basis of direct cost amounts and depreciation costs for each cost center, rather than on the basis of production quantities, which is Dongbang's normal methodology. Petitioners argue that Dongbang has not placed information on the record to justify the deviation from the normal accounting methodology and that this selected methodology is inherently less precise than the use of production quantities. Petitioners state that the cost verification report shows

that the Department found that the net effect of Dongbang's new allocation methods was that the reported COMs for the three products examined were lower than the values contained in Dongbang's inventory ledger.

As a result, petitioners argue that, while the Department should dismiss Dongbang's submitted COP and CV data in their entirety and that adverse facts available be applied (*see Dongbang Comment 1*), if the Department decides to use Dongbang's submitted costs, it should increase all reported COMs by a minimum of the highest percentage deviation found by the Department between the reported COMs and the values contained in Dongbang's inventory ledger.

Dongbang maintains that it did not unilaterally depart from its normal cost accounting system without fully informing the Department, and that it demonstrated that its normal methods were inaccurate for the Department's purposes. Dongbang maintains that it notified the Department in advance by telephone that it intended to deviate from its normal accounting system in order to report costs on a product-specific basis and described its reporting methodology in its questionnaire and supplemental questionnaire responses. Dongbang further states that the Department fully verified both the accuracy of Dongbang's costs and the reasonableness of its allocation methodologies.

Dongbang states that it relied on costs recorded in its normal cost accounting system, which accurately identifies and captures costs by production process, and only modified those costs in two instances in which Dongbang's cost accounting system is distortive for antidumping purposes. Dongbang maintains that the first aspect of the normal accounting system that was modified, *i.e.*, its methodology for allocating costs to specific products based on the Department's product comparison criteria, because its system does not account for differences in grade and diameter, was not disputed by petitioners. Dongbang states that petitioners' only dispute relates to Dongbang's reallocation of indirect costs to direct centers. Regarding the indirect costs in question, Dongbang states, as verified by the Department, that these indirect costs are normally allocated based on production quantities. However, Dongbang asserts also, as verified by the Department, that its cost system does not track production quantities at all direct cost centers, and as a result, the cost system does not allocate indirect costs to all cost centers. Dongbang argues that given that all direct cost centers benefit from the indirect costs in question, all the direct cost centers should bear a portion of these costs. However, Dongbang also argues that it would be distortive to allocate these indirect costs based on production quantities for all cost centers as not all cost centers incur the same costs, on a per metric ton basis, for the activities associated with the indirect costs in question. Dongbang notes that the allocation of these indirect costs based solely on production quantities fails to capture significant differences in production processes and results in the under-allocation of the indirect costs to specialty steel products.

Dongbang states that the indirect cost associated with a particular cost center identified by petitioners is only a very small portion of the total COM. Dongbang further states that the difference between Dongbang's cost accounting system and its reporting methodology for indirect costs for this cost center was very small and the impact on the total COM minimal. Dongbang argues that given that the Department has verified the accuracy and reasonableness of its accounting system, no adjustments are required or necessary.

DOC Position

We agree with Dongbang. Dongbang's financial accounting system does not record costs at the level of detail requested by the Department. As a result, Dongbang deviated from its normal accounting methodology in order to conform to the requests of the Department. Furthermore, Dongbang's questionnaire responses reported the deviation from its normal accounting system. After reviewing Dongbang's methodology, we determined, for the reasons stated in our position to *Dongbang Comment 1*, that the cost reporting methodology utilized by Dongbang, including its indirect cost allocation methodology, was reasonable and accurate. Therefore, we have accepted Dongbang's submitted and verified cost methodology for use in the final determination.

Comment 3: Foreign Exchange Losses

Dongbang notes that the Department confirmed that Dongbang submitted its interest expense based on Dongbang Transport and Logistics' consolidated statements. Moreover, Dongbang states that the Department verified that the amount of foreign exchange losses occurred in 1996 attributable to financing expense were very minor. Dongbang notes that the Department routinely ignores adjustments such as these that are so minor as to have no impact on the analysis.

Petitioners note that Dongbang did not include any of its gains or losses on foreign currency transactions and translations in its reported G&A expenses. Petitioners argue that given that the Department's normal practice is to include in G&A expenses for foreign exchange gains and losses other than those related to accounts receivable, Dongbang's net losses should be included in its reported G&A expenses.

Petitioners also note that the cost verification report states that Dongbang did not allocate net loss from foreign exchange translation which was deferred in its 1996 financial statements in its reported interest expense. Petitioners argue that given that this deferred capital adjustment was not reflected in the income statement, it should properly be allocated to Dongbang's reported financial expense in the cost response. Therefore, petitioners maintain that the Department should correct Dongbang's reported interest expense accordingly in the final determination.

DOC Position

We agree with petitioners regarding Dongbang's G&A expenses and have included the unreported recognized net foreign exchange losses related to all accounts except accounts receivable in Dongbang's G&A expenses. However, we agree with Dongbang that its submitted interest expense was based on Dongbang Transport and Logistics' consolidated financial statements. Therefore, the amortized portion of the net losses from long-term foreign exchange translation which was deferred in Dongbang's 1996 financial statements is moot given that we are not using Dongbang's 1996 financial statements, but rather, we have used Dongbang Transport and Logistics' 1996 consolidated financial statements.

Comment 4: Reversal of Allowance for Bad Debt

Petitioners note that Dongbang subtracted an amount for a reversal of allowance for bad debts from its reported G&A expenses. Citing the cost verification report, petitioners state that Dongbang itself acknowledged that it ''over-estimated the bad debts allowance in the previous years and that the difference was reversed when it re-estimated the allowance in 1996.'' Petitioners maintain that the reversal of allowance for bad debt was a bookkeeping exercise related to years previous to the POI. Therefore, petitioners argue that Dongbang's reversal of allowance for bad debt

cannot be considered an expense related to production during the POI and should not be netted out from Dongbang's reported G&A expenses.

Regarding petitioners argument that the Department exclude from Dongbang's G&A calculation the reversal of bad debt allowance, Dongbang maintains that it appropriately included this line item in its calculation of bad debt allowance. Dongbang states that its methodology is consistent with the Department's practice, and cites *SRAMS from Korea* as a case in which bad debt was properly classified as a non-operating general expense.

DOC Position

We agree with petitioners and have excluded from Dongbang's G&A calculation the reversal of bad debt allowance at issue. Dongbang is incorrect in stating that its methodology is consistent with the Department's past practice in *SRAMS from Korea.* Specifically, in *SRAMS from Korea,* respondents made a reversal of allowance for bad debt to correct for a previously made error. In the instant case, the allowance estimated for previous years was reversed and reflected in the current year. Because this practice will distort the expense incurred for the current year, we excluded from Dongbang's G&A calculation the reversal of bad debt allowance.

Comment 5: 1996 versus *1997 Annual Data as the Basis for G&A.*

Petitioners state that Dongbang reported its G&A expenses for purposes of its COP and CV on the basis of its audited 1996 financial statements. Petitioners note that, at verification, Dongbang presented the Department with its audited 1997 financial statements. Petitioners argue that given that it is the Department's normal practice to rely upon the most recent set of audited financial statements in calculating G&A percentages, the Department should rework Dongbang's G&A expenses on the basis of its 1997 financial statements which are similar to those reported in its 1996 financial statements. Petitioners provide a recommendation for a conservative, shortcut method of estimating the effect of the changes in Dongbang's net foreign exchange losses on transactions and translations in 1997 compared to those in 1996.

Dongbang refutes petitioners' assertion that the Department should use its 1997 annual data for G&A expenses as opposed to the 1996 data reported by Dongbang. Dongbang argues that it is the Department's clear practice to calculate G&A expenses based on annual data which most closely corresponds to the POI in order to eliminate distortions that are caused by periodic expenses which may fluctuate dramatically during the fiscal period, but which are otherwise representative of a company's experience.

Dongbang maintains that in this case, the use of 1996 annual data is more appropriate, as reliance on the 1997 annual data would result in distortions to the Department's analysis. Specifically, Dongbang argues that there is no significant difference in G&A expenses between 1996 and 1997, and that the significant difference between the two periods for non-operating expenses is due entirely to foreign exchange losses. Dongbang contends that these losses are unrelated to production or sales of subject merchandise during the POI. Dongbang states that as of 1997, under Korean GAAP, Korean companies must analyze outstanding long-term debt as of the end of the fiscal year (December 31 for Dongbang) and must amortize the foreign exchange translation losses relating to that debt based on the life of the loans. As a result, Dongbang maintains that its 1997 year-end financial statements show large foreign exchange translation losses based on the artificial use of December 31, 1997, when the Korean won underwent significant devaluation, as the point in time when these losses are measured for accounting purposes. Dongbang states that in *Oil Country Tubular Goods from Mexico,* 60 FR 33572 (June 28, 1995), the Department, given very similar facts, declined to rely on 1994 annual financials statements for the calculation of interest expense, as urged by petitioners, because Mexico experienced severe devaluation of its currency in December of 1994, which the Department stated made the 1994 financial statements unrepresentative of the POI and severely distortive.

Moreover, regarding the foreign exchange losses which represent the significant difference between the 1996 and 1997 annual data, Dongbang maintains that the Department considers such gains and losses an element of interest expense, and cites SRAMS from Korea to support its argument. Dongbang asserts that it properly based its interest expense on the experience of its consolidated parent, Dongbang Transport and Logistics. Dongbang further maintains that including exchange gains and losses in G&A, therefore, would double-count these expenses, once as an element of G&A and once as an element of interest expense. However, Dongbang does not dispute petitioners' proposition that the Department include foreign exchange gains and losses attributable to accounts payable in the calculation of G&A expense.

Therefore, Dongbang argues that the Department should reject petitioners' argument to rely on 1997 data or to add elements of the 1997 foreign exchange losses to 1996 expenses.

DOC Position

We have continued to use Dongbang's reported G&A expenses derived from the 1996 annual data. We note that it is the Department's practice to use G&A expenses based on annual data which most closely corresponds to the POI. In this instance, given that the POI covers a six month period in both 1996 and 1997, both years' financial data equally correspond to the POI. However, although Dongbang submitted its 1997 audited financial statements at verification, we used the audited 1996 financial statements for our reconciliations and other verification procedures since all submitted G&A expense rate data was based on the 1996 financial statements. In this case, given that all parties agree that Dongbang's G&A expenses from both 1996 and 1997 are similar with the exception of the foreign exchange losses related to long-term debt, which impacts the interest expense calculation rather than G&A expense calculation, we used Dongbang's 1996 annual data. In addition, we continued to use Dongbang Transport & Logistics' consolidated 1996 financial statements for the interest expense calculation. We found that the devaluation of the Korean won began in earnest near the end of August 1997 and continued through the remainder of the year and into 1998 (see Federal Reserve exchange rates). Since the use of Dongbang Transport & Logistics' consolidated 1997 financial statements for interest expense would incorporate this post-POI devaluation, we have considered it more appropriate to rely on Dongbang Transport & Logistics' consolidated 1996 financial statements.

Comment 5: Dongbang's Local Sales.

Petitioners contend that although Dongbang's home market sales listing shows prices for local sales both in terms of U.S. dollars and Korean won, Dongbang has suggested throughout this investigation that these sales are actually denominated in U.S. dollars. Petitioners maintain that it is the Department's longstanding practice that the respondent should report expenses and revenues in the currencies in which they are incurred. As a result,

petitioners maintain that the Department should use the U.S. dollar prices provided in Dongbang's home market sales database.

DOC Position

We agree with petitioners regarding the Department's longstanding practice that the respondent should report expenses and revenues in the currencies in which they are incurred. While it appears that Dongbang's home market local sales are incurred in U.S. dollars, the evidence on the record is inconclusive as to whether freight income is included in the reported dollar-denominated gross unit price field on Dongbang's sales listing. Furthermore, at verification, we verified the Korean won prices and traced these Korean won prices through Dongbang's accounting system and to payment records. Therefore, although it is our preference to recognize prices, expenses, and revenues in the currency in which they are incurred, we have continued to use the reported Korean won prices in our final analysis given the information on the record in this case.

Comment 6: Clarifications to the Dongbang Verification Report.

Dongbang notes that although the Department's sales verification report indicates that a single interest rate was used by Dongbang for reporting its home market bank credit charges, a review of the sales listing shows that this credit expense reflects the November 1996 interest rate change. Dongbang also states that it reported its sales prices for local export sales in U.S. dollars, not Korean won as indicated by the Department's verification report. Petitioners did not address these issues.

DOC Position

We agree with Dongbang that there were no errors in Dongbang's reported home market bank credit charges or its U.S. sales reporting with regard to local export sales.

Comment 7: ''Prime 2'' Merchandise.

Petitioners maintain that the discovery of the existence of ''prime 2'' merchandise during verification constitutes new information for which Dongbang had never before provided any explanation. Petitioners state that company officials informed Department verifiers that while Prime 1 products are produced to strict quality controls as per specific customers' requests and can be sold to all customers, prime 2 products are SSWR produced to Dongbang's own quality standards and, thus, cannot be sold to prime 1 customers. Petitioners contend that there is nothing on the record of this proceeding to clarify the distinction between prime 1 and prime 2 products and to indicate whether it is even possible to distinguish between the two types of products in Dongbang's sales or cost files. Petitioners argue that since prime 2 product cannot be sold to prime 1 customers and because there is no clear way to distinguish the prime 2 product and remove it from Dongbang's home market sales database, the Department should assume that all products in the home market database is of prime 2 quality, and that such products sell at a relative price discount. Therefore, petitioners contend that the Department should use the highest sales price within each control number as the weighted-average price for that particular control number as a means of adjusting the reported sales data.

Dongbang states that, in its responses, it indicated that there are two internal codes for prime merchandise. Dongbang asserts that prime 2 merchandise is prime merchandise and should continue to be treated as such. According to Dongbang, prime 2 merchandise meets all of Dongbang's quality standards, is not sold at a discount, and does not contain the surface defects that characterize non-prime merchandise. Dongbang further states that there is no price difference between the two product classifications.

Dongbang argues that because both of these internal codes reflect prime merchandise, they are comparable for the Department's purposes. Dongbang states that petitioners cite no cases to the contrary. Moreover, Dongbang states that in past cases involving steel products, the Department has treated all types of prime products equally as prime merchandise. For example, Dongbang cites the *Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago,* 63 FR 9177, 9180 (February 24, 1998) (*Wire Rod from Trinidad and Tobago*) in which the Department treated two types of merchandise as prime merchandise because both types were identical under the Department's matching characteristics, and were purchased and used by customers as prime merchandise. Dongbang further notes that it is common industry practice to have multiple internal codes for prime merchandise, and that in past cases the Department has treated all types of prime products as prime merchandise.

DOC Position

We disagree with petitioners that the existence of prime 2 merchandise constitutes new information. As noted in its rebuttal brief, Dongbang previously reported in its latest supplemental questionnaire response that prime merchandise is identified by two internal codes. Furthermore, while at verification, we substantiated Dongbang's assertion that it maintains separate codes for prime merchandise. Regarding petitioners' contention that there is no way to distinguish prime 1 merchandise from prime 2 merchandise in the sales and cost files, we confirmed at verification that both prime 1 and prime 2 products meet the chemical content tolerances of internationally-recognized grade standards and that neither type of prime product contained the surface defects inherent in non-prime products. Although, as petitioners contend, we are unable to determine from a review of the sales listings or questionnaire responses whether prime 2 products are sold at a discount from prime 1 products, we found no physical differences between the two prime products that would lead us to believe that prime 1 and prime 2 products are not comparable in price or cost. We agree with Dongbang that the facts in this case are consistent with those in *Wire Rod from Trinidad and Tobago,* in which the Department determined that products that were verified to be identical in every way to prime merchandise within each control number and within the meaning of the statute and the Department's product matching hierarchy should be treated as prime merchandise. Moreover, contrary to petitioners' proposition that all home market sales should be assumed to be prime 2 merchandise absent evidence distinguishing sales of prime 1 from sales of prime 2 merchandise, our sales verification exhibit on this topic demonstrates that prime 1 merchandise comprises the majority of both home market and U.S. sales. (*See* Sales Verification Exhibit 17.) Therefore, we find no basis for determining that prime 1 merchandise and prime 2 merchandise are not comparable. Consequently, we have rejected petitioners' argument that we use the highest sales price within each control number as the weighted-average price for that particular control number as a means of adjusting the reported sales data.

Comment 8: Brokerage Charges for Dongbang's U.S. Sales.

Petitioners argue that the Department should review Dongbang's U.S. sales listing and set all brokerage charges that are less than 12,000 won per shipment to 12,000 won given that the Department found at verification that Dongbang incurs minimum brokerage charges on its U.S. sales of the greater of 0.08 percent of the FOB sales value

of the shipment or 12,000 won per shipment.

Dongbang acknowledges that it did not utilize the 12,000 won minimum brokerage charge in its brokerage expense methodology for five U.S. sales. However, Dongbang states that the Department should not apply the full 12,000 won to each of these sales. Dongbang argues that since the 12,000 won minimum applies to a shipment, not each individual sale, this method would be distortive and unreasonable in cases where more than one sale is included in a shipment.

Dongbang also states that it reported a per-unit brokerage charge in its sales listing (*i.e.*, brokerage charge for the shipment divided by the sales quantity), not the entire expense. Dongbang therefore argues that if the Department chooses to utilize the 12,000 won minimum brokerage charge for these five sales, it should divide this charge by the sales quantity to arrive at the per-unit brokerage charge.

DOC Position

We agree with petitioners' assertion that the Department should review Dongbang's U.S. sales listing for sales that do not reflect the 12,000 won minimum brokerage charge applied to Dongbang's shipments of SSWR. We performed this exercise at verification and confirmed that Dongbang under-reported brokerage charges for five U.S. sales, in accordance with the reporting methodology described by Dongbang.

However, we also agree with Dongbang in that the Department should not apply the full 12,000 won to each of the five sales at issue for two reasons. First, we agree with Dongbang that it reported a per-unit brokerage charge (*i.e.*, brokerage charge for the shipment divided by the sales quantity), not the entire expense. We also agree with Dongbang's argument that since the 12,000 won minimum is applied to a shipment and not each individual sale, the 12,000 won minimum should be allocated over all sales in the shipment.

In attempting to revise the brokerage expenses reported for the five sales in question to account for the 12,000 won minimum charge, we found that the evidence on the record only allowed us to recalculate brokerage for two of the five sales that have been under-reported. Therefore, in accordance with section 776(a) of the Act, which allows the Department to use facts available when information necessary to the Department's analysis is not available, we applied the weighted-average brokerage adjustment calculated for these two sales to the remaining three sales, as facts available, to arrive at an appropriate per-unit brokerage charge for all affected transactions.

Comment 9: Duty Drawback.

Petitioners argue that Dongbang fails to qualify for a duty drawback adjustment because Dongbang has not provided an explanation for why it has sales of identical products in the home market and U.S. market for which its duty drawback amounts are different. As a result, petitioners contend that Dongbang has not met the Department's two-prong test in that it has not been able to demonstrate that there is a direct link between the import duty and the rebate granted.

Therefore, petitioners argue that the Department should deny a duty drawback adjustment to U.S. price as it did in *Stainless Steel Bar from India* 63 FR 13622, 13625 (March 20, 1998) (*Steel Bar from India*).

Dongbang asserts that it reported duty drawback amounts for U.S. sales by dividing the total duty drawback actually received for each sale by the quantity of the sale. Dongbang states that its per-unit duty drawback amounts vary from sale to sale because of this transaction-specific methodology. Dongbang maintains further that two sales of the same grade of SSWR may result in different duty drawback payments because the amount of duty drawback in a sale reflects the specific composition of imported raw materials for that sale. Dongbang also asserts that the Department noted no discrepancies regarding duty drawback in its verification report and should apply Dongbang's reported duty drawback amounts in the final determination.

DOC Position

We disagree with petitioners that Dongbang should not be entitled to the claimed duty drawback adjustment. Section 772(c)(1)(B) of the Act provides for adjustment for duty drawback on import duties which have been rebated (or which have not been collected) by reason of the exportation of the subject merchandise. In accordance with this provision, we will grant a duty drawback adjustment if we determine that 1) import duties and rebates are directly linked to and are dependent upon one another, and 2) the company claiming the adjustment can demonstrate that there are sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product. *See e.g., Steel Wire Rope from the Republic of Korea; Final Results of Antidumping Administrative Review,* 61 FR 55965 (October 30, 1996) (*Rope from Korea*). The first prong of the above test requires the Department to analyze whether the foreign country in question makes entitlement to duty drawback dependent upon the payment of import duties (*see Far Eastern Machinery* 699 F. Supp. 309, 311 (Ct. of Int'l Trade 1988)). This ensures that a duty drawback adjustment will be made only where the drawback received by the manufacturer is contingent on import duties paid or accrued. The second prong requires the foreign producer to show that it imported a sufficient amount of raw materials (upon which it paid import duties) to account for the exports, based on which it claimed rebates. *Id.*

We are satisfied that under the duty drawback method reported by Dongbang, the Korean Government makes entitlement to duty drawback dependent upon the payment of import duties, which satisfies the first prong of the duty drawback test. In addition, we are satisfied that Dongbang is required by the Korean government to provide adequate information that shows that it had sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product. This satisfies the second prong of the duty drawback test. (*See Rope from Korea*). Furthermore, our review of selected transactions in both the home and U.S. markets during verification indicated that there were no discrepancies with the duty drawback amounts reported by Dongbang. Therefore, we have accepted Dongbang's reported duty drawback for purposes of the final determination.

Changwon

Comment 1: Changwon's Reported Interest Revenue.

Petitioners assert that the Department should not include Changwon's reported interest revenue in the calculation of net U.S. prices. Petitioners argue that Changwon incorrectly calculated the per-unit interest revenue based on interest revenue to be received from its customers. Petitioners next argue that the total Pohang Steel America Corporation (POSAM) invoice amounts for value and quantity, upon which the reported interest revenue was calculated, include sales of non-subject merchandise. Thus, petitioners maintain, Changwon failed to provide evidence that it in fact received the interest revenue for sales of SSWR during the POI.

Petitioners further contend that even if Changwon did charge interest to its customers for late payments, Changwon failed to tie the interest revenues that it charged to its customers to the subject merchandise. Petitioners cite *Tapered*

Roller Bearings and Parts Thereof, Finished or Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof From Japan, 63 FR 20,585 20,602 (April 27, 1998) (*TRBs from Japan*), as a case in which the Department disallowed the respondent's claimed amounts for discounts, rebates, and other post-sale adjustments as direct deductions to the home market sales prices, on the grounds that the respondent failed to tie the adjustments directly to the sales of subject merchandise.

Changwon argues that it reported the actual interest revenue received from U.S. customers for late payments. Further, Changwon states that the reported interest revenue is directly tied to each sale of subject merchandise. Changwon asserts that petitioners' allegation that the calculation of interest revenue includes sales of non-subject merchandise is wrong. Changwon states that every sale contained in the invoices upon which the interest revenue was allocated was a sale of subject merchandise and, thus, the portion of interest revenue allocated to a sale is the actual amount of interest revenue earned on that sale.

Changwon also argues that petitioners' citation to *TRBs from Japan* actually supports Changwon's position because, in that case, the Department stated that it treats an allocated adjustment as the actual amount associated with a sale if the adjustment was ''granted as a fixed and constant percentage of the sale price of all transactions for which it was reported and to which it was allocated.'' Changwon states that it in fact based its allocation on applying a fixed and constant percentage to the price for each sale on the invoice. For these reasons, Changwon argues that the Department should adjust U.S. sales prices for the reported interest revenue in the final determination.

DOC Position

We agree with Changwon and have adjusted U.S. sales prices for the reported interest revenue, where appropriate. We disagree with petitioners' arguments regarding Changwon's reporting of interest revenue. First, we found at verification that, contrary to petitioners' allegation, the interest revenue reported by Changwon had in fact been received by Changwon from its U.S. customers for late payments.

Second, we find petitioners' allegation that sales of non-subject merchandise were included in the invoices upon which the interest revenue calculation was based to be incorrect. Our findings at verification for selected invoices confirmed that the sales comprising each invoice upon which the interest revenue calculations were based, were sales of subject merchandise.

Third, petitioners' contention that Changwon failed to tie the interest revenues that it charged to its customers to the subject merchandise is also incorrect. As noted above, we confirmed at verification that all sales included in the interest revenue calculation were of subject merchandise and that the interest revenue reported was directly tied and properly allocated to these sales. (*See TRBs from Japan.*)

For the reasons stated above, we have included Changwon's reported interest revenue relevant to its U.S. sales in our EP calculations.

Comment 2: Changwon's G&A Expenses.

Petitioners state that the Department should revise Changwon's reported G&A expense ratio to include bad debt expenses, amortization for foundation expenses, business start-up expenses and stock issuance expenses that were not previously included in the G&A ratio. Petitioners argue that these expenses were incurred by Changwon during the POI and all such expenses were period expenses, and, therefore, should be included as part of the expenses for the period.

Petitioners maintain that the bad debt expenses which the company recognizes during the fiscal period and were reported in Changwon's financial statements should be included in its G&A calculation. Petitioners contend that after the POI, some percentage of accounts receivable on subject merchandise sold within the POI would undoubtably be reclassified as bad debt. Therefore, petitioners argue that Changwon's 1997 financial statements do not reflect any bad debt because, due to the fact that the company was established in February 1997, the company had no previous bad debt experience to carry over from 1996.

Petitioners also argue that the bad debt reported in Changwon's financial statements which it classified as non-operating expense ''related only to tax law'' in accordance with Korean GAAP, and excluded from the G&A calculation, should also be included in its G&A calculation. Petitioners state that Changwon has placed nothing on the record to substantiate its claim that this bad debt relates only to tax law. Petitioners argue that absent evidence to back up this contention, it must be assumed that the GAAP-accepted practice reported by Changwon relates to a meaningful expense from the accounting period and, thus, this bad debt expense should be included in the G&A calculation. Petitioners assert that these expenses should be characterized as G&A rather than selling expenses because Changwon was not created until the second half of the POI thus no previous fiscal year exists from which to develop bad debt.

Furthermore, petitioners state that it is the Department's normal practice not to include foreign exchange losses and gains related to accounts receivable, but to include other types of exchange gains and losses in the calculations for G&A. Petitioners state that Changwon's reporting methodology is inaccurate in that it excluded from its G&A calculation any gains and losses that were related to short-term borrowings and deposits, but included gains and losses related to accounts receivable. Petitioners state that the Department should adjust Changwon's G&A calculation in accordance with its normal practice.

Changwon states that its financial statements identify two types of bad debt: the first type represents the company's recognition of bad debt during the fiscal period, and the second type of bad debt is an accrual that does not reflect an actual expense, but is an allowance under Korean GAAP that is recorded for income tax purposes. Changwon notes that it erroneously indicated in its responses that the first type of bad debt expense had been included in the calculation of direct selling expenses. Changwon clarifies that it actually did not incur this type of bad debt expense during the POI and thus did not report it as a selling expense or in its G&A calculation.

Changwon also states that it properly excluded the second type of bad debt expense because this expense relates solely to tax law and represents no real cost to Changwon. In fact, Changwon maintains that to include these costs would be distortive for antidumping purposes because they relate solely to taxes. Changwon cites *Stainless Steel Angles from Japan,* 60 FR 16608, 16617 (March 31, 1995) and *Fresh and Chilled Atlantic Salmon from Norway,* 58 FR 37912, 37915 (July 14, 1993), among other cases, in support of its argument that the Department has, in the past, disregarded costs reported solely for tax purposes.

Changwon also argues that it correctly excluded amortization expenses, business start-up expenses, and stock issuance expenses from its G&A calculation because these were extraordinary, one-time expenses and were not related to the subject

merchandise. Changwon states however, that if the Department were to include these expenses in the G&A calculation, it should include only the portion of the expenses appropriately attributable to the reporting period (*i.e.*, amounts amortized in accordance with Korean GAAP).

Changwon also states that, with regard to foreign exchange gains and losses, the Department considers these gains and losses to be an element of interest expense (*see SRAMS from Korea*), so to include them in the G&A calculation would double-count these expenses.

DOC Position

We agree with petitioners. Both types of allowance for bad debt expenses are actual costs recognized in the respondent's financial records, whether they are actually incurred or not, based on Korean GAAP. All of the other mentioned amortization expenses are also recognized expenses in the financial statements and only the amortized portion was reflected in the Changwon's 1997 financial statements. Contrary to Changwon's assertions that these expenses should not be included because they either relate solely to tax law or that they were extraordinary, one-time expenses, we found that the amortized portions were actually recorded in Changwon's accounting system and its financial statements and therefore represent costs related to operations. In addition, we find nothing extraordinary about these expense items (*i.e.*, they are neither unusual in nature or infrequent in occurrence). Therefore, the Department included all types of bad debt expense in the reported indirect selling expenses, and amortization for foundation expenses, business start-up expenses and stock issuance expenses, in the reported G&A expenses.

Comment 3: Changwon's Interest Expense Reporting Period.

Changwon states that the Department properly utilized its reported interest expense based on the most recently completed fiscal year. Changwon states that its reported interest expense was based on POSCO's consolidated information for 1996, which is the period that most closely corresponds to the POI and is in accordance with the Department's policy to rely on the interest expense based on the prior-year consolidated financial statements, so long as the interest expense reasonably reflects the current financial situation. Changwon claims that this is the case because the prior year is assumed to be reasonably representative of the company's normal experience. Changwon cites *Certain Hot-Rolled Carbon Steel Flat Products from France,* 58 FR 37125, 37135 (July 9, 1993) (*Flat Products from France*) in support of its position.

Changwon also states that even in the isolated cases in which the Department has deviated from this policy, financial statements that cover a period subsequent to the POI are not utilized. For example, Changwon cites *Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada,* 61 FR 13815, 13829 (March 28, 1996), where the Department accepted interest expense based on the full year 1993 and the first half of 1994, rather than exclusively the 1993 figures (the POI was February 1993 through July 1994).

Changwon maintains that use of the 1997 data on interest expense would be distortive because it includes substantial foreign exchange losses that occurred at year-end 1997 which were due to the rapid depreciation of the won in December 1997, subsequent to the POI. Changwon argues that the economic crisis that precipitated the currency depreciation was in no way related to the production or sale of the subject merchandise during the POI and, thus, to include these losses would be distortive. Changwon asserts that, under similar circumstances, the Department has declined to utilize a time period which included a severe devaluation of a currency in past cases such as *Oil Country Tubular Goods from Mexico,* 60 FR 33567, 33572 (June 28, 1995). Changwon argues that should the Department determine that 1996 is not representative, it should limit any adjustments to the interest expense ratio to changes in the exchange rate which occurred during the POI.

Petitioners contend that Changwon's interest expenses should be based on POSCO's 1997 financial statements. Petitioners state that Changwon should be consistent in its choice of financial statements from which to draw its expense ratios since it reported G&A on the basis of its financial statements for 1997 but employed POSCO's consolidated 1996 financial statements for purposes of reporting its interest expense ratio. Given that 1997 is the most recent year for which financial statements are available, it would be logical for both G&A and interest expense to be derived from 1997 figures.

Petitioners argue that the cases cited by Changwon do not support Changwon's position, but instead indicate a preference to use the closest corresponding fiscal year financial statements. For example, in *Silicon Metal from Brazil,* 63 FR 6899, 6906 (February 11, 1998), the Department stated that it normally uses the ''financial statement that most closely corresponds to the POI.'' Also, in *Flat Products from France,* the Department noted that its ''normal methodology is to calculate G&A expenses based on the audited annual financial statements which most closely correspond to the period of investigation.'' Only in cases in which ''such financial statements are not available, the Department has relied on financial statements from the fiscal year prior to the POI, when such statements provide a reasonable approximation of the company's current financial position.''

Petitioners further argue that since 1997 is the most recent year for which audited financial statements are now available, is the year that Changwon came into existence, and includes the entire part of the POI during which Changwon produced and sold the subject merchandise, 1997 is the logical choice on which to base Changwon's interest expenses.

DOC Position

We disagree with petitioners, and have used POSCO's 1996 consolidated financial statements as the basis for Changwon's interest expense. In this case, it is our preference to use the 1996 financial statement data for the reasons similar to those stated in *Dongbang Comment 5* of the ''Interested Party Comments'' section of this notice. However, unlike Dongbang, Changwon was not in existence in 1996 and, therefore, we have no alternative but to use Changwon's 1997 financial statements for purposes of calculating G&A expenses.

Comment 4: EP vs. CEP Sales Classification.

Petitioners argue that the Department should determine that Changwon's sales through POSAM are CEP sales. Petitioners cite *1998 Flat Products from Korea,* a decision in which the Department found, in contrast to several previous determinations, that POSCO's sales in the United States through POSAM should be classified as CEP sales. Petitioners argue that the facts in the *1998 Flat Products from Korea* case regarding the classification of U.S. sales are virtually identical to those in this case.

Petitioners maintain that the record does not demonstrate that the U.S. affiliate's involvement in making the sales was incidental or ancillary. Petitioners assert that Changwon seldom had contact with U.S. customers, that typically POSAM was directly contacted by unaffiliated U.S. customers that wished to purchase the subject

merchandise, and that POSAM signed the sales contract. Petitioners claim that POSAM also plays a central role in sales activities after merchandise arrives in the United States. Petitioners also question respondent's claim that the U.S. affiliate had no role in price negotiation by stating that Changwon did not provide tangible proof that it had rejected prices for sales organized by POSAM (which, according to petitioners, is a critical test of the involvement of the Korean producer in price setting.) Petitioners further argue that POSAM and POSTEEL are more than just mere paper processors based on proprietary evidence found by the Department at verification.

Changwon argues that its U.S. sales should be treated as EP transactions because they pass the Department's criteria for EP sales: the subject merchandise is shipped directly from the manufacturer to the unaffiliated buyer, such direct shipments to the unaffiliated buyer are a customary channel of trade, and the U.S. affiliate only acts as a processor of sales-related documents and a communication link with the unaffiliated buyer. Changwon claims that POSAM is merely a communications link, does not have independent sales negotiation authority, and holds no inventory.

Changwon states that, at verification, the Department established that Changwon initiated contact with its U.S. customers and met with these customers to discuss its export strategy and determine the substantive terms of sale with them. Moreover, Changwon asserts, it was at these meetings that Changwon established its pricing policy based on quarterly price lists. Changwon also states that, at verification, the Department confirmed the U.S. sales process by which orders flow from the U.S. customer through POSAM and POSTEEL to Changwon and back the same route to the U.S. customer. Changwon asserts that POSAM merely transfers pricing information from customers to Changwon, and that Changwon reviews and has final approval of all sales.

Changwon refers to sales examined at verification to further its argument that it is the sole authority for approving its U.S. sales. It notes that POSAM indicates in its faxes to Changwon that the sale offer is ''for your {Changwon's} review'' and that Changwon's response to POSAM refers to ''{confirmation of} our {Changwon's/POSAM's} offer'' to the customer. Also, Changwon notes a sale in which Changwon initially rejected, but then ultimately accepted, a customer's price offer that differed from its price list. Based on these facts, Changwon argues that it is clear that POSAM's only role in this situation was that of a communication link.

Changwon refutes petitioners' argument that POSAM plays a central role in Changwon's activities because it provides such services as invoicing Changwon's customers and arranging for transportation. Changwon maintains that the Department has, in numerous past cases, deemed these types of sales activities as ancillary, and that they are not a sufficient basis for classifying sales as CEP transactions. Changwon rejects, as mere speculation, petitioners' argument that because it did not present at verification an example of a sale in which it rejected an offer made by the customer, Changwon may not have the final authority on sales prices. Finally, Changwon states that petitioners' assertion that POSAM or POSTEEL distributed Changwon's product brochures and conducted certain activities in the United States for Changwon is incorrect. Changwon asserts that it, in fact, performed these activities.

DOC Position

We agree with Changwon that its U.S. sales were properly classified as EP sales, and have continued to treat Changwon's U.S. sales as EP sales in the final determination. At verification we confirmed Changwon's assertions that POSAM is not in a position to negotiate, confirm, or reject prices without approval from Changwon. We further found that Changwon issues quarterly price lists for U.S. sales which POSAM uses in the U.S. sales process. We disagree with petitioners' contention that POSAM acts as anything but a communications link in this instance.

Section 772(b) of the Act, as amended, 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.'' 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 the 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.'' When sales are made prior to importation through an affiliated or unaffiliated U.S. sales agent to an unaffiliated customer in the United States, our practice is to examine several criteria for determining whether the sales are EP sales. Those criteria are: (1) Whether the merchandise was shipped directly from the manufacturer to the unaffiliated U.S. customer; (2) whether this was the customary commercial channel between the parties involved; and (3) whether the function of the U.S. selling agent was limited to that of a ''processor of sales-related documentation'' and a ''communications link'' with the unaffiliated U.S. buyer. Where all three criteria are met, indicating that the activities of the U.S. selling agent are ancillary to the sale, the Department has regarded the routine selling functions of the exporter as merely having been relocated geographically from the country of exportation to the United States where the sales agent performs them, and has determined the sales to be EP sales. Where one or more of these conditions are not met, indicating that the U.S. sales agent is substantially involved in the U.S. sales process, the Department has classified the sales in question as CEP sales. (*See, e.g., 1998 Flat Products from Korea* and *Viscose Rayon Staple Fiber from Finland*, 63 FR 32820 (June 16, 1998).)

In the instant investigation the sales in question were made prior to importation through Changwon's affiliated Korean trading company, POSTEEL, and its affiliated U.S. trading company, POSAM, to an unaffiliated customer in the United States. The record in this case indicates that the subject merchandise was shipped directly from Changwon to the unaffiliated U.S. customers and that this was the customary commercial channel between these parties. The remaining issue is whether POSAM's role in the sales process was limited to that of a ''processor of sales-related documentation'' and a ''communications link.'' The record shows that the U.S. sales process, beginning with the establishment of Changwon during the POI, includes the following events: (1) Changwon held an export strategy meeting in March 1997 with potential U.S. customers (these were the same customers Changwon sold to during the POI) wherein substantive terms of sale, payment, and delivery terms were discussed. Changwon also established its pricing policy based on quarterly price lists during this meeting; (2) For the remaining three months of the POI, U.S. customers contacted POSAM to inquire about purchasing Changwon's SSWR. However, POSAM did not actively advertise for Changwon in the United States and did not solicit business on

behalf of Changwon. Changwon itself contacted its potential U.S. customers, as evidenced by the above-referenced export strategy meeting; (3) POSAM does not negotiate sales terms with Changwon's U.S. customers. POSAM relays information through POSTEEL between Changwon and its U.S. customers. Correspondence by faxes reviewed at verification confirmed Changwon's assertion that POSAM may not accept the customer's order without Changwon's final approval; (4) After an order is accepted by Changwon, POSAM transmits the order acceptance from POSTEEL to the U.S. customer; (5) After Changwon has produced the order, it sells the subject merchandise to POSTEEL, who then sells it to POSAM in a back-to-back transaction wherein title to the goods is transferred between the parties; (6) POSTEEL arranges transportation of the subject merchandise to the United States; (7) POSAM arranges to move the subject merchandise through U.S. Customs and to transport it to U.S. customers; (8) POSAM invoices U.S. customers; (9) U.S. customers remit payment to POSAM, which subsequently transfers the payment to POSTEEL, which, in turn, transfers it to Changwon.

These facts show that the extent of POSAM's involvement in the sales process is indicative of the ancillary role normally played by a ''processor of sales-related documentation'' and a ''communications link.'' While POSAM was involved in document processing and other ancillary activities related to the sales of subject merchandise to the U.S. customer (*e.g.,* clearing customs, arranging for U.S. transportation, issuing invoices, and collecting payment), POSAM had no substantial involvement in the sales process, such as sales negotiation, providing technical support, or handling warranty claims, with respect to subject merchandise. POSAM does not negotiate sales terms with U.S. customers, but rather relays pricing information between Changwon and the U.S. customer. We disagree with petitioners' assertion that Changwon does not have final authority over the sale based on our findings at verification. For each of the sales examined at verification, we found that Changwon ultimately accepted or rejected the sales price. *See* Changwon Sales Verification Report at Exhibit 17. Furthermore, although Changwon did not have direct contact with its U.S. customers on a daily basis during the POI, the export strategy meeting served to lay out the substantive terms of delivery, sale, and payment and established Changwon's general pricing policy. With these terms explicitly stated, it is reasonable to assume that there was little need for direct contact between Changwon and its U.S. customers during the remaining three months of the POI. Indirect contact, however, still continued. In fact, we observed at verification that all correspondence examined between Changwon and the U.S. customers was relayed through POSTEEL/POSAM.

The nature of Changwon's initial and ongoing involvement in the sales process and POSAM's ancillary role in the sales process lead us to conclude that the sales took place before the date of importation by the producer of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States. Therefore, in accordance with Section 772(a) of the Act we have continued to classify Changwon's U.S. sales as EP sales for the final determination.

Comment 5: Corrections for Clerical Errors Found at Verification.

Petitioners state that the Department should allocate Changwon's indirect selling expenses incurred by POSTEEL in Korea for U.S. sales based on sales value rather than sales quantity, and that the Department make any corresponding changes in its calculations since Changwon recalculated its indirect selling expenses incurred from fiscal year 1996 to 1997.

Petitioners agree that the VAT total account receivable figures for certain customers should be corrected in order to properly decrease the average credit period for seven customers.

Petitioners state that the Department should use the corrected warranty expense for home market observation 59 and revised ocean freight for U.S. observations 17 through 21.

Petitioners state that the Department should correct the product characteristics that were misreported by Changwon for grades SUS 304L, SUSY 308, SUSY 308L, AWSER 308L, AWSER316L, SUS XM7, and ER 309L. They also state that in correcting these items, the Department should use the actual chemical composition of the products for product-matching purposes.

Changwon did not comment on this issue.

DOC Position

We agree with petitioners in part. As noted above in the ''Export Price'' and ''Normal Value'' sections of this notice, we have made appropriate revisions for all errors found at verification. However, we disagree with petitioners' statement that we should use the actual chemical compositions of the products in our analysis. For the reasons stated in the December 18, 1997, Memorandum to Holly Kuga from the Team Re: Whether to Reconsider the Department's Model Match Methodology for this Product and the *Preliminary Determination,* the Department has rejected the use of actual chemical composition as a product characteristic for product comparison purposes.

Comment 6: Changwon's Duty Drawback Adjustment.

Petitioners argue that Changwon does not qualify for a duty drawback adjustment to U.S. price. Petitioners state that Changwon has failed to meet the Department's two-part test which requires that (1) import duties and rebates are directly linked to and are dependent upon one another, and (2) the company claiming the adjustment can demonstrate that there are sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product.

Petitioners refer to Changwon's November 10, 1997 response, in which Changwon gave a ''best estimate'' of duty drawback because its system for reporting duty drawback was not yet fully operable. Petitioners believe that this fact alone justifies a denial of a duty drawback adjustment. Petitioners cite *Steel Bar from India* as a situation in which the Department denied a duty drawback adjustment to a respondent that based its duty drawback calculations on theoretical amounts of an input product, rather than on amounts of raw materials that were actually imported for use in the subject merchandise. Petitioners state that the facts in this case (whereby the drawback credits were not calculated based on the product actually imported) are similar to those in *Steel Bar from India.*

Petitioners contend that another reason Changwon should be denied a duty drawback adjustment is the fact that, at verification, the Department found that ''Changwon cannot track imported raw material used in the production of finished product to the specific export sale.'' Petitioners assert that Changwon's reliance on the ''standard government calculation for each applicable raw material'' to claim duty drawback is unacceptable, because, among other reasons, there is no means by which the Department can determine whether the respondent is claiming more drawback than that to which it is entitled. Petitioners also point out that Changwon's claim also fails because it is apparently not able to track imported raw material usage to U.S. exports of the subject merchandise, and drawback is not being claimed on amounts of imported materials actually being used.

Petitioners state that there is no direct link between the import duty and rebate granted, and that there were not sufficient imports of raw materials used in the production of the final exported product to account for the drawback on the exported product.

Petitioners assert that, even if the above described problems did not exist, Changwon would not be eligible for an adjustment because it did not actually receive any duty drawback during the POI. Petitioners state that any adjustment for duty drawback must be based on drawback payments actually received during the POI or review period. Petitioners cite *Final Determination of Sales at Less Than Fair Value: Canned Pineapple Fruit from Thailand,* 60 FR 29553, 29566 (June 5, 1995) and *Final Results of Countervailing Duty Administrative Review: Certain Iron-Metal Castings from India,* 56 FR 52521, 52527 (October 21, 1991) as examples whereby the Department has recognized that refunds should be taken into account for the period in which they are received.

Petitioners also refute Changwon's claims that the Department fully verified Changwon's duty drawback adjustment and that the Department's ''standard practice'' is to recognize adjustments that are accrued by a company such as volume rebates. Petitioners state that while the Department was able to verify some information regarding the duty drawback adjustment, it did not successfully verify the claims themselves. Petitioners then argue that there is no ''standard practice'' by which the Department would grant adjustments for duty drawback when the duty drawback payments are not received by the respondent during the POI or review period.

Furthermore, regarding Sammi-produced merchandise purchased by Changwon, petitioners state that there is no information on the record indicating that Sammi had imported materials for its production of the SSWR. Similarly, petitioners state that there is no information that indicates whether, if Sammi had imported materials for its production of the SSWR, those import duties would satisfy the Department's two-prong test for duty drawback adjustment. Furthermore, petitioners contend that is no indication that the prices paid by Changwon for Sammi-produced SSWR included import duties, and if so, whether Changwon was entitled to get any duty drawback on those duties.

Changwon maintains that the Department's findings during verification support the Department's preliminary decision to allow Changwon's reported duty drawback adjustments. Changwon states that it has demonstrated, and the Department has fully verified, that it accurately reported the duty drawback incurred on its sales during the POI. Changwon asserts that its most recent supplemental response contained resubmitted duty drawback adjustments which incorporated the actual amounts of duty drawback acquired by Changwon.

Changwon states that the Department confirmed during verification that Changwon can claim a duty drawback only if the amount of raw materials on an import certificate are sufficient to produce the quantity of subject merchandise stated on an export certificate. This, according to Changwon, fulfills the Department's requirements for a duty drawback adjustment that the import duty and rebate are directly linked and dependent on one another and that there were sufficient imports of the raw materials to account for the duty drawback received. Further, Changwon asserts that the accuracy of Changwon's reported duty drawback was confirmed through the Department's trace of the reported duty drawback amounts to its applications for duty drawback to the Korean Government. Changwon also states that petitioners' allegation that it did not report actual amounts of duty drawback is incorrect and that the above-mentioned resubmitted duty drawback adjustments are in fact based on actual amounts.

Changwon dismisses petitioners' argument that Changwon must tie its receipt of duty drawback to U.S. exports. Changwon cites *Laclede Steel Co.* v. *United States,* 18 CIT 965, 972–73 (1994) as a case in which the Court of International Trade held that a respondent's reported duty drawback adjustment may result in export sales receiving more or less of an adjustment than was actually rebated is not a basis for rejecting those adjustments.

Changwon refutes petitioners' argument that it did not show that it had sufficient imports of raw materials to produce the quantity of exports that incurred duty drawback by attributing the argument to a misreading of Changwon's duty drawback exhibit. Changwon states that the worksheets referred to by petitioners were merely examples and did not represent all imported raw materials that were available for producing the exported merchandise.

Changwon states that petitioners' argument regarding duty drawback received on sales of Sammi-produced merchandise are also erroneous because, as part of Changwon's acquisition of Sammi, the company assumed Sammi's duty liability for imported merchandise and Sammi's import certificates were transferred to Changwon. This allowed Changwon to properly receive duty drawback on the export of Sammi-produced merchandise.

Changwon argues that it properly included duty drawback received after the end of the POI because its normal business practice is to record its duty drawback payments on an accrual basis. Changwon states that it is the Department's practice to accept a company's sales expenses and adjustments that are reported consistently with its normal accounting practices. Changwon asserts that there is no evidence on the record that contradicts the fact that Changwon applies for duty drawback as a normal part of its business practice and that it fully receives the amount of duty drawback claimed.

DOC Position

We agree, in part, with both parties. First, contrary to petitioners allegation regarding Changwon's explanation of its duty drawback reporting methodology, we agree that Changwon revised its duty drawback adjustments to reflect the actual amounts of duty drawback in its most recent supplemental response. Furthermore, we disagree with petitioners that Changwon is required to trace imported raw materials to export sales. In fact, the Department's practice is not that a company must trace imported input directly from importation through exportation, but rather, that a company must satisfy the two-prong test described in *Dongbang Comment 9,* above. In this regard, we are satisfied that Changwon has met each of the two prongs of this test for reasons similar to those explained above for Dongbang. However, in accordance with section 772(c)(1)(B) of the Act, which requires the Department to increase starting price for EP and CEP by the amount of any import duties ''imposed by the country of exportation which have been rebated, or which have not been collected by reason of the exportation of the subject merchandise to the United States,'' we have recalculated Changwon's reported duty drawback to reflect only those amounts actually rebated. Regarding duty drawback on Sammi-produced merchandise which was sold by Changwon, the information provided by Changwon is inconclusive as to whether Changwon is entitled to duty drawback on this merchandise. However, given that we have calculated duty drawback only on rebates actually received by

Changwon, this issue is moot. *See Final Determination Calculation Memorandum*, for further discussion.

Comment 7: Transactions-Disregarded and Major-Input Rules.

Changwon argues that if the Department continues to collapse Changwon and POSCO as a single producer for the final determination, the Department should not apply the transactions-disregarded and major-input rules under section 773(f)(2) and (3) in determining the value of inputs provided by POSCO to Changwon. Changwon notes that the Department has stated that once it collapses two companies, it no longer applies the major-input or transactions-disregarded rules for valuing transfers of products from one part of the entity to another. Changwon cites *1997 Flat Products from Korea* where the Department determined that the POSCO group (encompassing three separate producers: POSCO, Pohang Coated Steel (POCOS) and Pohang Steel Industries (PSI)) represents *one producer* of certain cold-rolled steel flat products and that as such, transactions among the parties be valued based on the group as a whole. It further states that since the POSCO group was considered one entity, the major-input rule and transactions-disregarded provisions of the Act were not applied because there are no transactions between affiliated persons. Changwon notes that the Department reaffirmed its clear position on this issue in *1998 Flat Products from Korea*.

In support of the above argument, Changwon states that it has submitted and the Department has verified Changwon's costs, adjusted to reflect POSCO's actual cost of manufacturing transferred inputs. After the preliminary determination and learning of the Department's decision to collapse Changwon and POSCO, Changwon submitted cost data that was consistent with the Department's collapsing decision. Changwon asserts that semi-finished products should be treated as transfers among factories or divisions within the same company, and should be valued within the single entity at the actual cost of manufacturing the input. This policy avoids double counting of POSCO's G&A, and avoids including POSCO's internal profit earned on the input. Specifically, the Department should use the COM to value the inputs rather than the transfer price.

Petitioners contend that the Department should continue to apply the major-input rule and transactions-disregarded rule in valuing inputs received by Changwon from POSCO. Petitioners explain that the major-input rule and transactions-disregarded rule have a specific purpose that is separate and distinct from the purpose of the collapsing test. Petitioners note that statutes always take precedence over regulations, and that the major-input rule and transactions-disregarded rule are statutory, while the collapsing analysis is performed pursuant to the Department's regulations. Petitioners further assert that the statute does not provide for an exception to the application of these rules in the case of collapsed parties, and thus the Department should enforce the statute in applying these rules. Petitioners maintain that the Department would be writing out of existence the statutory major-input rule and transactions-disregarded rule based on its interpretation of a regulation if it were to collapse POSCO and Changwon for input cost purposes.

Petitioners assert that Congress intended that the application of the major-input rule and collapsing test remain independent of each other, citing the SAA for support. Petitioners assert that by listing price issues separate from cost issues in its explanation of the major-input rule and transactions-disregarded rule, the drafters of the SAA did not intend affiliation price and cost issues to be lumped together, but to be considered separately. Petitioners argue that the legislative history would have suggested that these rules for calculating cost be combined with the collapsing test in connection with circumvention and price issues if the drafters intended this. Instead, petitioners state that the SAA focuses exclusively on cost issues in its explanation of the major-input rule and transactions-disregarded rule. Petitioners assert further that the statutory provisions of the major input rule and transactions disregarded rule focus clearly on cost input issues that are not affected by the collapsing of producers to prevent circumvention, and the Department should thus continue to apply these rules in valuing inputs sold from POSCO to Changwon.

DOC Position

We agree with respondent. The facts in this case are similar to those present in *1997 Flat Products from Korea* wherein the Department held that treating affiliated producers as a single entity for dumping purposes obviates the application of the major-input rule and transactions-disregarded rule because there are no transactions between affiliated persons. As stated in *1997 Flat Products from Korea* at 18430, 18431: the POSCO group {encompassing three separate producers: POSCO, Pohang Coated Steel (POCOS) and Pohang Steel Industries (PSI)} represents *one producer* of certain cold-rolled steel flat products * * * We have determined that a decision to treat affiliated parties as a *single entity* necessitates that transactions among the parties also be valued based on the *group as a whole.* * * * With regard to transfers of inputs among the POSCO group companies we have valued transfers of substrate between the companies as the cost of manufacturing of the substrate {*i.e.*, a major input, also subject merchandise, further manufactured and then resold.} * * * Since we have determined that the POSCO Group is *one entity* for these final results, {the major input rule and fair value provisions} of the Act cannot apply because there are *no transactions between affiliated persons.*

As noted by Changwon, the Department reaffirmed its clear position on this issue in *1998 Flat Product from Korea* at 13185, stating that: because we are treating these companies {POSCO, POCOS, and PSI} as one entity for our analysis, intra-company transactions should be disregarded. * * * {T}he decision to treat affiliated parties as a single entity necessitates that transactions among the parties also be valued based on the group as a whole and as such, *among collapsed entities the fair-value and major-input provisions are not controlling.*

As a result, we have used actual costs in determining the COM for Changwon as well as Dongbang in the final determination.

Comment 8: Changwon's Methodology To Identify the Manufacturer.

In regard to the Department's sales verification report, Changwon states that the Department properly noted that Changwon has reported itself as the manufacturer where appropriate. Changwon states that this is in accordance with the Department's practice to treat the last company involved in the production process as the manufacturer of the resulting merchandise. For example, *in Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate from Canada,* 61 FR 13815, 13821 (March 28, 1996), the Department treated Continuous Color Coat, Inc. (''CCC'') as the manufacturer of the subject merchandise sold by CCC, even though CCC purchased the subject merchandise and then performed either painting or galvanizing functions. Similarly, in *Circular Welded Non-Alloy Steel Pipe from the Republic of Korea,* 62 FR 64559, 64561 (Dec. 8, 1997), some of the respondent companies purchased subject merchandise from third parties

and performed minor further manufacturing activities to produce merchandise that was still within the scope of the review. Changwon claims that the above determinations are indistinguishable from the facts pertaining to Changwon and, thus, the Department should continue to utilize Changwon's reported manufacturer for each sale.

Petitioners did not comment on this issue.

DOC Position

We agree with Changwon and given there are no arguments or evidence on the record to suggest otherwise, we have continued to use Changwon as the manufacturer, as reported, where appropriate.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of SSWR from Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**. The Customs Service shall continue to require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the U.S. price as shown below. These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Dongbang Special Steel Co., Ltd./ Changwon Specialty Steel Co., Ltd./ Pohang Iron and Steel Co., Ltd.	3.18
Sammi Steel Co., Ltd.	28.44
All Others	3.18

Pursuant to section 735(c)(5)(A) of the Act, the Department has excluded the margins determined entirely under section 776 of the Act (facts available) from the calculation of the ''All Others Rate.''

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 777(i) of the Act.

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–20017 Filed 7–28–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–475–820]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod From Italy

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: July 29, 1998.

FOR FURTHER INFORMATION CONTACT: Shawn Thompson or Irina Itkin, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–1776 or (202) 482–0656, respectively.

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act), are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the regulations of the Department of Commerce (the Department) are to the regulations at 19 CFR part 351, 62 FR 27296 (May 19, 1997).

Final Determination

We determine that stainless steel wire rod (SSWR) from Italy is being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the ''Suspension of Liquidation'' section of this notice, below.

Case History

Since the preliminary determination in this investigation on February 25, 1998 (*see Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod from Italy,* 63 FR 10831 (Mar. 5, 1998)), the following events have occurred:

In February 1998, we issued supplemental questionnaires to the two respondents in this case, Acciaierie Valbruna S.r.l. (including its subsidiary Acciaierie di Bolzano SpA) (collectively ''Valbruna'') and Cogne Acciai Speciali S.r.l. (CAS). We received responses to these questionnaires in March 1998.

In March, April, and May 1998, we verified the questionnaire responses of the two respondents, as well as the section A response of an additional company, Rodacciai SpA (Rodacciai). In May 1998, CAS and Valbruna submitted revised sales databases at the Department's request.

The petitioners (*i.e.*, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and the United Steel Workers of America, AFL-CIO/CLC) and both respondents submitted case briefs on June 3, 1998, and rebuttal briefs on June 10, 1998. The Department held a public hearing on June 17, 1998.

Scope of Investigation

For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire-drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches diameter. Two stainless steel grades,