reviewed sales for each importer/customer. We will direct Customs to assess the resulting percentage margin against the entered Customs values for the subject merchandise on each of the importer's/customer's entries during the review period. While the Department is aware that the entered value of sales during the POR is not necessarily equal to the entered value of entries during the POR, use of entered value of sales as the basis of the assessment rate permits the Department to collect a reasonable approximation of the antidumping duties which would have been determined if the Department had reviewed those sales of merchandise actually entered during the POR.

To calculate the cash deposit rate for each exporter, we divided the total dumping margins for each exporter by the total net value (EP or CEP) for that exporter's sales of subject merchandise in the United States during the review period. The following deposit requirements will be effective for shipments of subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of these final results of administrative review, as provided by section 751(a)(1) of the Tariff Act: (1) the cash deposit rate for the reviewed companies will be the rates outlined above; (2) for previously reviewed or investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the original less-than-fair-value (LTFV) investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) the cash deposit rate for all other manufacturers or exporters will continue to be 7.08 percent, the ''All Others'' rate made effective by the final determination of sales at LTFV, as explained in the 1995/96 New Shippers Review of this order. See *Certain Welded Carbon Steel Pipes and Tubes from India; Final Results of New Shippers Antidumping Duty Administrative Review*, 62 FR 47632, 47644 (September 10, 1997).

These deposit requirements shall remain in effect until publication of the final results of the next administrative review.

This notice also serves as a final reminder to importers of their responsibility under 19 CFR 353.26 to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as the only reminder to parties subject to administrative protective orders (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d)(1). Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: June 8, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–15873 Filed 6–15–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–809]

Circular Welded Non-Alloy Steel Pipe From the Republic of Korea; Final Results of Antidumping Duty Administrative Review

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

ACTION: Notice of Final Results of Antidumping Duty Administrative Review.

SUMMARY: On December 8, 1997, the Department of Commerce published the preliminary results of its administrative review of the antidumping duty order on circular welded non-alloy steel pipe from the Republic of Korea. This review covers imports of pipe from four producers/exporters during the period November 1, 1995 through October 31, 1996.

Based on our analysis of comments received, these final results differ from the preliminary results. In addition, we continue to find for these final results that sales of subject merchandise were made below normal value during the review period.

EFFECTIVE DATE: June 16, 1998.

FOR FURTHER INFORMATION CONTACT: Cynthia Thirumalai or Craig Matney, Import Administration, International Trade Administration, US Department of Commerce, 14th Street and Constitution Avenue, NW, Washington DC 20230; telephone (202) 482–4087 and 482–1778, respectively.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations refer to the regulations, codified at 19 CFR part 353, April 1997.

Background

This review covers four manufacturers/exporters, *i.e.*, Hyundai Pipe Co. Ltd. (Hyundai), Korea Iron and Steel Co., Ltd. (KISCO) and its affiliate Union Steel Manufacturing Co., Ltd. (Union), SeAH Steel Corporation (SeAH) and Shinho Steel Co., Ltd. (Shinho), collectively referred to as ''the respondents.'' Since the publication of our *Notice of Preliminary Results of Antidumping Duty Administrative Review of Circular Welded Non-Alloy Pipe from the Republic of Korea*, (*Preliminary Results*) 62 FR 64559 (December 8, 1997), we received revised home market datasets from the respondents in December 1998. We also received case briefs from the respondents and from the petitioners on January 20, 1998, and rebuttal briefs on January 30, 1998.

Scope of Review

The merchandise subject to this review is circular welded non-alloy steel pipe and tube, of circular cross-section, not more than 406.4mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), or end finish (plain end, beveled end, threaded, or threaded and coupled). These pipes and tubes are generally known as standard pipes and tubes and are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing applications, such as for fence tubing, and as structural pipe tubing used for framing and as support members for reconstruction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and other

related industries. Unfinished conduit pipe is also included in this order.

All carbon-steel pipes and tubes within the physical description outlined above are included within the scope of this review except line pipe, oil-country tubular goods, boiler tubing, mechanical tubing, pipe and tube hollows for redraws, finished scaffolding, and finished conduit. In accordance with the Department's *Final Negative Determination of Scope Inquiry on Certain Circular Welded Non-Alloy Steel Pipe and Tube from Brazil, the Republic of Korea, Mexico, and Venezuela* 61 FR 11608 (March 21, 1996), pipe certified to the API 5L line-pipe specification and pipe certified to both the API 5L line-pipe specifications and the less-stringent ASTM A–53 standard-pipe specifications, which falls within the physical parameters as outlined above, and entered as line pipe of a kind used for oil and gas pipelines is outside of the scope of the antidumping duty order.

Imports of these products are currently classifiable under the following Harmonized Tariff Schedule (HTS) subheadings: 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, and 7306.30.50.90. Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Date of Sale

The respondents have argued that, contrary to the methodology used in the *Preliminary Results,* we should use invoice date as the date of sale for sales to the United States. For these final results, we continue to find contract date to be the appropriate date of sale with respect to sales to the United States. (For further discussion of this issue, *see* Comment 1 in the General Comments section of this notice below.)

Product Comparisons

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX* v. *United States* (CEMEX), 1998 U.S. App. LEXIS 163. In that case, based on the pre-URAA version of the Act, the Court ruled that the Department may not resort immediately to constructed value (CV) as the basis for foreign market value (now normal value, or ''NV'') when the Department finds home market sales of the identical or most similar merchandise 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 as the basis for NV where 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 other sales of similar merchandise to compare to the US sales 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.

Accordingly, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all home market sales of the foreign like product that were in the ordinary course of trade for purposes of determining appropriate product comparisons to US sales. Where there were no sales of identical merchandise in the home market in the ordinary course of trade to compare to US sales, we compared US 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. Thus, we have implemented the Court's decision in *CEMEX* to the extent that the data on the record permitted.

Aside from the preceding, we followed the methodology outlined in our *Preliminary Results* with the following exception: for certain of Shinho's models that had identical product characteristics but were assigned non-identical control numbers, we recoded them with identical control numbers.

Export Price and Constructed Export Price

We followed the methodology in the *Preliminary Results* with the following exceptions: (1) We used in our analysis all export price (EP) transactions that were entered during the POR; (2) we recalculated adjustments for duty drawback for SeAH; (3) we recalculated the short-term interest rate for KISCO/Union on a collapsed basis; (4) we included interest revenue in the calculation of net price for KISCO/Union.

Normal Value

We used the same methodology outlined in the *Preliminary Results* with the following exceptions: (1) For sales with weight conversion factors below the allowed minimum, we used the minimum as non-adverse facts available; (2) sales failing the arm's-length test and resales of products purchased from other producers were not included in the product-matching concordance for Hyundai and SeAH; (3) we reallocated SeAH's foreign brokerage, US duty and US brokerage expenses on a value basis; (4) sales of overruns were removed from the arm's length test for SeAH; (5) indirect selling expenses for KISCO/Union were recalculated; (6) the short-term interest rate for KISCO/Union was recalculated on a collapsed basis; (7) we recalculated Shinho's CV interest expenses with respect to short-term interest offsets and foreign exchange gains/losses; 8) we recalculated the credit expenses for one of Shinho's home market customers.

Level of Trade/CEP Offset

We received no comment from interested parties on the methodology we employed in the *Preliminary Result*s with respect to level of trade. Based on our analysis of information on the record as articulated in the *Preliminary Results,* we are not changing our methodology with respect to level of trade for these final results.

Cost of Production Analysis

As discussed in the *Preliminary Results,* we conducted an analysis to determine whether the respondents made sales of the foreign like product in the home market at prices below their cost of production (COP) within the meaning of section 773(b)(1) of the Act. We used the same methodology employed in the *Preliminary Results* with the following exceptions: (1) The general and administrative (G&A) and interest factors for all respondents were recalculated using a denominator inclusive of packing; (2) we recalculated KISCO/Union's G&A and interest expense on a collapsed basis; (3) we recalculated Shinho's interest expenses with respect to short-term interest offsets and foreign exchange gains/losses.

Constructed Value

In calculating CV, we followed the methodology employed in our *Preliminary Results,* with the following exceptions: (1) The SG&A and interest factors for all respondents were recalculated using a denominator inclusive of packing; (2) we adjusted Hyundai's CV for direct selling expenses incurred in the home market; (3) we converted CV profit to a theoretical-weight basis for Shinho; (4) we corrected the circumstance of sale (COS) adjustment for credit expenses for

Shinho; (5) we recalculated Shinho's interest expenses with respect to short-term interest offsets and foreign exchange gains/losses.

Interested Party Comments

General Comments

Comment 1: Invoice Date v. Contract Date as the Date of U.S. Sale

The respondents note that before the issuance of the original questionnaire in this proceeding on January 13, 1997, the Department adopted the policy of using invoice date as the presumptive date of sale in February 1996 with the publication of its proposed antidumping regulations (*see Antidumping and Countervailing Duties: Notice of Proposed Rulemaking and request for Public Comments*, (*Proposed Regulations*) 61 FR 7308, 7381 (February 27, 1996)). Consistent with the instructions in the questionnaire, the respondents state that they used invoice date as the date of sale for US sales and received no indication from the Department that this was not acceptable until October 30, 1997, despite meetings subsequent to the issuing of the questionnaire with Department officials on this same issue.

The respondents acknowledge that the Proposed Regulations and Final Regulations (i.e., *Antidumping Duties; Countervailing Duties: Final Rule*, (*Final Regulations*) 62 FR 27926, 27411 (May 19, 1997) codified at 19 CFR § 351.401(i)) speak of the use of dates other than invoice date under circumstances involving long-term contracts, sales with exceptionally long periods of time between invoice and shipment dates, and situations involving large custom-made merchandise. However, the respondents then point out that the particular circumstances in this case with respect to US sales (i.e., long periods of time between the date on which the material terms of sale are set and invoice date) do not fall within these stated exceptions. The respondents also emphasize that the Final Regulations clearly state that exceptions to the presumption to use invoice date must be narrowly drawn. Indeed, the respondents note that in *Certain Stainless Steel Wire Rod from India: Final Results of New Shipper Antidumping Duty Administrative Review*, (*Certain Stainless from India*) 62 FR 38976, 38978 (July 21, 1997), the Department maintained that the use of invoice date as the date of sale was appropriate over the objection of the petitioners that the lag time of up to several months between purchase order date and invoice date was too long. The respondents also cite other cases in which the Department held that invoice date was the appropriate date of sale.

The respondents argue that since their sales processes are quite typical for manufactured products, that they should be afforded typical consideration—i.e., the use of invoice date as the date of sale. Otherwise, argue the respondents, the exception of not using invoice date as the date of sale would become the rule, and the selection of the date of sale would be purely at the discretion of the Department.

The respondents point out that even if the sales terms rarely change after the contract date, the possibility for change exists and sometimes does occur. The respondents then cite to the Preamble to the Final Regulations where it states that ''absent satisfactory evidence that the terms of sale were finally established on a different date, the Department will presume that the date of sale is the date of invoice'' (*Final Regulations* at 27349). According to the respondents, the sales terms in this case are subject to change and are not, therefore, ''finally established'' within the meaning of the Preamble to the Final Regulations until the date of invoice.

In addition, the respondents argue that using a different date of sale for home market sales than for US sales contradicts the Department's preference of using a single date of sale for a given respondent instead of a different date for each sale, as stated in the Preamble to the *Final Regulations* (*see* 62 FR 27348). As support for using the same date of sale in both markets, the respondents cite to *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line Pressure Pipe from Germany: Preliminary Results of Antidumping Duty Administrative Review*, (*Germany Line Pipe*) 62 FR 47446, 47448 (September 9, 1997) in which the Department used shipment date (a proxy for invoice date which occurred after the shipment date) despite a long lag time between order confirmation date and shipment date in order to maintain dates of sale in the home market and the United States on the same basis.

The petitioners point out that both the Proposed and Final Regulations cited by respondents are not applicable to this proceeding since it was initiated prior to the date on which these regulations became effective. Even if they were, add the petitioners, the Department's decision not to use invoice date as the date of sale for US sales was fully consistent with those regulations as they state:

> [T]he Department may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.

See *Final Regulations* at 27411. The petitioners take issue with the respondents' assertion that the listed exceptions are the only allowable circumstances under which the Department may abandon the use of invoice date. Instead, state the petitioners, the list of exceptions is illustrative and not exhaustive. The petitioners also note that while the respondents cite to language in the regulations speaking generically about the malleable nature of sales terms up until the time that payment is demanded, they have not cited to evidence on the record of this proceeding which would demonstrate that sales terms in this case are not usually established on the contract date for sales to the United States. Rather, state the petitioners, there is more than satisfactory evidence on the record of this proceeding showing that contract date better reflects the date on which material terms of sale were established for US sales.

Department's Position

While we agree with the respondents that the Department prefers to use invoice date as the date of sale, we are mindful that this preference does not require the use of invoice date if the facts of a case indicate a different date better reflects the time at which the material terms of sale were established. Indeed, as all parties have recognized, both the Proposed and Final Regulations speak to giving the Department flexibility to abandon the use of invoice date. In granting this flexibility, the regulations anticipate the possibility of inappropriate comparisons via the strict use of invoice date as the date of sale.

As for the respondents point that the facts in this case (i.e., long lag times between contract date and invoice date) do not fit the exceptions articulated in the regulations, we note that the exceptions listed are exemplary and are not intended to be limiting as can be seen in the Proposed Regulations where it states:

> [T]he Department recognizes that [invoice] date may not be appropriate in some circumstances, such as those involving certain long-term contracts or sales in which there is an exceptionally long time between the date of invoice and the date of shipment. [Emphasis added.] (Proposed Regulations at 7330.)

If invoice date does not reasonably approximate the date on which the material terms of sale were made in

either of the markets under consideration, then its blanket use as the date of sale in an antidumping analysis is untenable. The facts in this case, as explained below, clearly demonstrate that the use of invoice date as the date of sale in both markets would lead to inappropriate comparisons.

In this case, the sales processes for US and home market sales differ markedly. Sales in the home market are typically out of inventory with the purchase order/contract, invoice and shipment dates all occurring within a relatively short period of time. In contrast, US sales are usually conducted on a made-to-order basis (CEP sales out of inventory being an exception.). The material terms of sale in the US are set on the contract date and any subsequent changes are usually immaterial in nature or, if material, rarely occur. Most importantly, due to the made-to-order nature of US transactions, there is a very long period of time between the contract date, and the subsequent shipment and invoicing of the sale. The long periods between the contract date and invoice/shipment date for US transactions are measured in multiple months with some reaching upwards of six months. As can be seen from the foregoing, ''invoice'' dates in both markets, while the same in name, are materially quite different for purposes of determining price discrimination simply because the sales processes for the two markets are quite different. If we were to use invoice date as the date of sale for both markets, we would effectively be comparing home market sales in any given month to US sales whose material terms were set months earlier— an inappropriate comparison for purposes of measuring price discrimination in a market with less than very inelastic demand. Notwithstanding the respondents' comment that the terms of sale are subject to change and that, therefore, the final terms are not known until the date of invoice, we find that, in this case, there is no information on the record indicating that the material terms of sale change frequently enough on US sales so as to give both buyers and sellers any expectation that the final terms will differ from those agreed to in the contract. Therefore, we are continuing to use contract date as the date of sale with respect to US sales for these final results, except for CEP sales out of inventory. See also *Notice of Final Results of Antidumping Duty Administrative Review: Canned Pineapple Fruit From Thailand,* 63 FR 7392, 7394 (February 13, 1998) (For CEP sales out of inventory, invoice date reasonably approximates the date on which the material terms of sale are set and is, therefore, appropriately used as the date of sale.).

As for the respondents' additional concern that using a ''different'' date of sale in home market than in the United States would be contrary to the Department's preference of using a single date of sale as articulated in the Preamble to the (*see Final Regulations* at 27348), we find such concern to be unwarranted. Given the sales processes of the different markets, the only dates which are substantively equivalent for purposes of measuring price discrimination, although different in name, are the invoice date in the home market and the contract date in the United States.

Comment 2: Inclusion of All EP Sales Entered During The POR

SeAH argues that the Department erroneously excluded from its analysis EP sales entered during the POR but with dates of sale outside the POR. According to SeAH, § 751(a)(2)(A) of the Act requires that the Department examine each entry, as opposed to sale, during the POR by stating:

> For the purpose of [administrative reviews of antidumping duty orders], the administering authority shall determine
>
> (i) the normal value and export price (or constructed export price) of each entry of the subject merchandise * * *

The petitioners counter that the review covers all ''sales'' during the POR as delineated in the questionnaire. According to the petitioners, it is the questionnaire which determines the reporting requirements during a review and the questionnaire clearly stated, ''State the total quantity and value of the merchandise under review that you sold during the period of review'' (*see* January 13, 1997 questionnaire at A–1). As for the language in the statute cited by SeAH in support of a review covering all entries, the petitioners cite to *American Permac* v. *United States,* 783 F. Supp. 1421 (CIT 1992) (*American Permac*) to show that the statute does not preclude the Department from excluding certain sales if they are distortive where it says:

> The court has a difficult time reading the ''each entry'' language to compel inclusion of all sales, no matter how distorting or unrepresentative. In actuality, both investigations and periodic reviews examine sales, not entries, and the methodology is not distinguishable in any relevant way.

The petitioners also cite to 19 CFR 353.22(b) and, inter alia, *Final Results of Antidumping Duty Administrative Reviews: Portable Electric Typewriters from Japan, (Typewriters from Japan)* 56 FR 56393, 56397 (November 4, 1991) to show that the Department has the discretion to base administrative reviews on entries, exports or sales.

Department's Position

We agree with SeAH that all POR entries of EP sales should be included in our analysis. The petitioners' citation to *American Permac* does not apply to this case. In that case, the Court was examining the issue of whether or not the Department had the authority to deny a request which did not arise until the hearing to exclude a certain number of US sales from the universe of reported transactions. One of the Department's arguments in *American Permac* was that it was required by the statute to examine all sales in the reported universe. While the Court based its final decision to uphold the Department's denial of exclusion based on the untimely nature of the exclusion request, it did state that it doubted that Congress ''intended to compel distortions if exclusion of a few sales would remedy the problem'' (*see American Permac* at 1424). While *American Permac* does support the authority of the Department to exclude certain US sales from its analysis, it does not address the issue of whether the universe of reported sales is to be based on entries or sales during the POR.

Section 751(a)(2)(A) of the Act states that a dumping calculation should be performed for each entry during the POR. While the § 353.22(b) of the Department's regulations does give the Department some flexibility in this regard by stating that the review can be based on entries, exports or sales, it is our preference to base the review on entries when possible. In this case, we find no compelling reason to move away from the use of entries to determine the universe of US sales to be reported for EP sales as there are no circumstances on the record that would require such a move. Accordingly, we have included in our analysis for these final results all entries of EP sales during the POR as reported by SeAH. In addition, we have made the same revision in our calculations for all of the other respondents.

Comment 3: Inaccurate or Missing Conversion Factors

The petitioners state the respondents have reported some conversion factors for the conversion of home market sales and cost information to a theoretical-weight basis that are below the minimum conversion factor allowable in various grades of standard pipe, as

determined using maximum industry-standard tolerance of wall thickness. Where no other conversion factor exists for such products, the petitioners propose assigning the highest reported conversion factor among transactions of the same specification. In the event there is no available conversion factor for a particular product, the petitioners argue that Department should not apply any conversion factor.

Hyundai acknowledges that a few of its conversion factors were calculated incorrectly and requests that the Department allow them to correct this error. Additionally, Hyundai notes that the error did not impact the *Preliminary Results* as the products with the incorrect conversion factors were not used in calculating the margin.

KISCO/Union contends that the petitioners' argument refers to the conversion factor between theoretical and *standard* actual weight, which may differ slightly from the actual weight and that the petitioners have presented no evidence that the conversion factors from actual to theoretical weight fall below the industry-standard. KISCO/Union also states that the home market customers have accepted this merchandise without noting any weight problems. In the case that the Department determines that conversion factors which fall below the industry standards should not be applied, KISCO/Union argues that the Department should substitute the industry standard for the limited number of incorrect conversion factors reported in the response.

SeAH and Shinho acknowledge that the conversion factors on some home market sales are below the minimum but point to the extremely tiny proportion these sales constitute. In addition, KISCO/Union, SeAH and Shinho state that most of these sales were not used in the Department's calculation for the *Preliminary Results*.

Department's Position

We disagree with the petitioners that what amounts to adverse facts available should be applied to sales with conversion factors below the minimum allowed. Such errors in the respondents' data affect only a minuscule number of transactions and appear to be inadvertent. With respect to KISCO/Union's argument, we agree the conversion factor between the theoretical and standard actual weight may differ from the factor used to convert the actual weight to the theoretical. Nevertheless, we find that certain reported conversion factors at issue are aberrational because it is impossible to produce a pipe that is within the industry-standard tolerances with conversion factor below this minimum. See *Final Results of Antidumping Duty Administrative Review: Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, (First Review Final Results)* 62 FR 55574, 55577 (October 27, 1997). Therefore, we have calculated the minimum conversion factor allowable in various grades of standard pipe by using the maximum industry-standard tolerance of wall thickness. We used the calculated minimum factor for those sales and costs where the reported factors fell below the minimum.

Comment 4: SG&A and Interest Ratios

The petitioners state that the respondents have calculated their SG&A and interest ratios based on a sales denominator that includes packing. When this ratio is multiplied by a cost of manufacturing (COM) that is exclusive of packing, as was done in the preliminary calculations, the petitioners allege that the resulting SG&A amount is understated. The petitioners suggest that the Department could add packing to the COM before the SG&A and interest expenses are calculated as was done in the *First Review Final Results*.

Hyundai agrees with the petitioner that its SG&A ratio was calculated with a packing-inclusive denominator and that packing should be added to COM before calculating SG&A.

KISCO/Union, SeAH and Shinho state that the addition of packing to the COM prior to calculating SG&A and interest expenses would have only a negligible effect on the margin calculations and is, therefore, not necessary.

Department's Position

In the preliminary results we did in fact understate SG&A and interest expenses by multiplying a packing-exclusive COM by expense ratios calculated based on a packing-inclusive amount. For these final results, we have corrected this error by adding packing to the COM before applying the ratios to calculate SG&A and interest expenses.

Comment 5: Duty Drawback Adjustment

The petitioners argue that duty drawback rebates received by respondents, except for KISCO/Union, were based on a theoretical weight basis while the payments of the original duties were on an actual weight basis. As a result, the petitioners stated that total rebates received exceed total duties paid. Since the Act allows only for the addition to US price of import duties paid and rebated, the petitioners point out than any adjustment should be capped by the amount of duty actually paid. (See 19 U.S.C. § 1677a(d)(B) (1994).)

The respondents point out that, contrary to the petitioners' assertions, not all duty drawback rebates are excessive in that two separate programs were used. In particular, state the respondents, rebates under the individual-application system have been found by the Department in previous segments of this proceeding to be non-excessive; therefore, the Department was correct in adjusting US price by the entire amount of the rebate. The respondents note that the Department did limit the duty drawback adjustment to the amount of duties paid on those transactions receiving rebates under the fixed-rate system in the *Preliminary Results*.

Department's Position

As stated in the *Preliminary Results* at 64561, to the extent that duty drawback rebates are in excess of the actual amount of duties paid, we agree with the petitioners that adjustments to US price should be limited to the amount of duties paid. The respondents received duty drawback under two systems: the fixed rate system and the individual application system. Rebates received under the individual application system are limited to actual duties paid and are not excessive. Therefore, we have used the full amount of rebates under the individual application system in our analysis for these *Final Results*. Under the fixed rate system, however, rebates exceed actual duties paid (*see First Review Final Results*). In the *Preliminary Results*, we did cap the amount of rebates received under the fixed-rate system, where applicable, for all respondents except for SeAH. For these final results, we have applied the cap to SeAH as well.

Comment 6: Income Offsets to G&A

The petitioners claim that Hyundai, KISCO/Union and Shinho have understated their G&A expenses by offsetting such expenses by various non-operating income items unrelated to the subject merchandise. Since it is the Department's practice to limit offsets to G&A to income from operations related to the production of subject merchandise, these respondents' offsets should be denied. See, *Final Determination of Sales at Not Less Than Fair Value: Saccharin From Korea (Saccharin from Korea)* 59 FR 58828 (November 15, 1994) and *Certain Fresh Cut Flowers From Colombia: Final Results of Antidumping Duty Administrative Reviews (Flowers from Colombia)* 61 FR 42833, 42843 (August 19, 1996).

Hyundai maintains that its offsets to G&A do relate to the production and sale of subject merchandise. KISCO/Union argues that non-operating expenses should not be included in G&A if non-operating income is found not to be an allowable offset. Shinho replies that it has fulfilled the Department's requirement to include only items related to production in its G&A offset.

Department's Position

The Department permits offsets to G&A expenses for income earned from the company's production operations. During the course of this proceeding, we have received from respondents responses to our original questionnaire and multiple supplemental questionnaires. Based on our examination of these responses with respect to the calculation of G&A expenses and offsets, we are accepting what respondents have provided with the exception of dividend income offsets claimed by Hyundai and KISCO/Union. See U.S. Steel v. United States, Slip Op. 98–17, (CIT February 25, 1998). In particular, we find that the items petitioners complain about appear, on their face, to be of a general nature arising from the companies' operations.

We are disallowing the offsets to G&A due to dividend income for Hyundai and KISCO/Union. We note that dividend income is generally claimed as an offset to interest expenses and is allowable when such income arises from short-term investments of a company's working capital. However, in this case, we find that Hyundai's and KISCO/Union's dividend income has not been shown to be derived from short-term investments.

Comment 7: CV Credit Expenses

The respondents argue that, in the *Preliminary Results*, the Department double-counted imputed credit expenses in the calculation of CV. The respondents state that this occurred because the Department included both total actual interest expense and imputed U.S. credit expenses in the CV calculation. The respondents state that it is the Department's practice first to subtract home market imputed credit expenses before adding U.S. imputed credit expenses in calculating a circumstance-of-sale (COS) adjustment for CV. As evidence of this practice, several respondents cite, *inter alia*, *Certain Stainless Steel Wire Rods from France: Final Results of Antidumping Duty Administrative Review, (France Wire Rods)* 62 FR 7206, 7209, (February 18, 1997).

The petitioners dispute that the Department double-counted the respondents' imputed credit expenses in CV, and state that the Department calculated CV in accordance with section 773(e) of the Act. However, the petitioners concede that the Department's new-law practice is to make a COS adjustment to NV for differences in credit expenses between the US and exporting country markets.

Department's Position

We agree with the petitioners that we calculated CV in accordance with section 773(e) of the Act. However, we also agree with both the petitioners and the respondents that we made an error in our COS adjustments to CV by not deducting home market credit expenses before adding US credit expenses. It is the Department's standard practice to make such an adjustment. See, *e.g.*, *France Wire Rods* and *Stainless Steel Bar From India: Final Results of Antidumping Duty Administrative Review*, 63 FR 13622, 13624 (March 20, 1998) (Comment 5). We have adjusted the calculations accordingly for these final results.

Company-Specific Comments

Hyundai

Comment 8: Further Processed Merchandise

Hyundai argues that, in the *Preliminary Results*, the Department improperly treated sales of subject merchandise that were purchased from unaffiliated suppliers and further processed. In Hyundai's view, US sales of subject merchandise may only be compared to sales of the foreign like product that were produced in the same country by the same person. Hyundai states that if sales data consists of merchandise produced by two different manufacturers, the Department normally compares the sales produced by each company separately. Hyundai cites *Steel Wire Rope from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review and Intent To Revoke Antidumping Duty Order in Part*, 62 FR 64353 (December 5, 1997), noting that respondents sold merchandise in both the US and home market that was produced by the respondent and by unaffiliated suppliers and that the Department compared the merchandise according to producer. Hyundai continues its argument by saying that the further processing of the purchased pipe does not convert the pipe from non-subject to subject merchandise. It maintains that because the pipe was already subject merchandise, the Department must segregate Hyundai's sales into two categories (pipe purchased and further processed by Hyundai, and pipe manufactured by Hyundai) and compare the two categories separately.

Petitioners argue that the Department's precedent supports treating Hyundai as the producer of the finished products, citing *Antifriction Bearings and Parts Thereof from France*, 61 FR 66,472 (December 17, 1996). In *Antifriction Bearings*, a respondent purchased finished bearings from an unaffiliated subcontractor and resold them in the home market and United States. According to the petitioners, the Department treated sales of goods not manufactured by a company to be products of that company because the subcontractor did not know the destination of the products, and because the respondent company controlled the production and sale of the product. The petitioners argue that the same facts exist in this case.

Department's Position

Because Hyundai engages in what is often substantial further manufacturing and because it sells and warrants the further-processed merchandise as its own product, it is unclear whether the *Steel Wire Rope* methodology is appropriate in this case. Nevertheless, the issue is moot, as Hyundai was unable to provide the necessary information for us to follow the methodology. In *Steel Wire Rope*, the specific suppliers of each resold item were identifiable. In this case, the suppliers for specific sales are not known; Hyundai is only able to distinguish whether it manufactured the product from start to finish, or whether it purchased the product before further processing. Thus, even if it were appropriate, the information provided by Hyundai does not allow us to employ the methodology used in *Steel Wire Rope*.

Comment 9: Arm's Length Freight

The petitioners argue that Hyundai did not adequately demonstrate that the transactions between Hyundai and an affiliated transport company were at arm's length. The petitioners state that the Department requested information on the affiliated company's provision of shipping services to non-affiliated customers and that, because Hyundai failed to provide this information, Hyundai's ocean freight rates should be based on facts available. Furthermore, the petitioners note that when the affiliated transport company arranged for third parties to transport the subject merchandise, the affiliate did not charge

any mark-up, thus providing services for free, suggesting again that the transactions were not arm's length.

Hyundai rebuts that the information on the record does adequately demonstrate that the transactions were arm's length. Hyundai points to documents which support their claim, such as an invoice and other documents from an unaffiliated company and their affiliate's tariff schedule. Hyundai argues that it is not required to provide information showing that the affiliate charged the same rates to unaffiliated customers. It also notes that it provided the same kind of evidence supplied in *Certain Cut-to-Length Carbon Steel Plate from Germany: Final Results of Antidumping Duty Administrative Review*, 61 FR 13834 (March 28, 1996), in which the Department determined that freight services were provided by an affiliate at arm's length prices. Lastly, Hyundai rejects the petitioners' argument that, because they were not charged a mark-up by the affiliate when arranging services from a third party, the transactions were not arm's length. Hyundai states that the affiliate is often involved in name only and that, regardless of any supposed lack of mark-up, it otherwise demonstrated that the prices paid to its affiliate were comparable to prices charged to unaffiliated parties and thus at arm's length.

Department's Position

As stated in the questionnaire issued to the respondents on January 13, 1997, ''arm's length transactions are those in which the selling price between the affiliated parties is comparable to the selling prices in transactions involving persons who are not affiliated.'' Hyundai demonstrated that the prices charged by its affiliate were comparable to prices it is charged by unaffiliated freight providers. Hyundai is not required to show that the affiliate charged a third party comparable prices, although this is another way in which arm's length can be demonstrated. The Department never specifically asked Hyundai to supply this kind of information; rather, we suggested it as one option Hyundai could choose to demonstrate arm's length. The fact that the affiliate may at times not charge Hyundai with a mark-up when arranging third party transactions is not in itself demonstrative of a non-arm's length transaction. Rather, the evidence in this case that Hyundai pays the affiliate comparable prices to those paid to unaffiliated providers is sufficient to demonstrate arm's length.

Comment 10: Additional Freight

The petitioners find Hyundai's additional freight costs to be unreliable and argue that the Department should deny any adjustment to NV for this additional freight. The petitioners claim that there are several problems with Hyundai's reporting of this expense. They state that Hyundai did not indicate whether the service was provided by an affiliate. They also maintain that Hyundai has not substantiated the claim that it is not able to report these costs on a shipment-specific basis, nor have they explained sufficiently the basis on which the charges are incurred. The petitioners argue that the information on these additional freight costs is unreliable, noting for example a change in the total cost reported from one supplemental response to the next.

Hyundai responds that it did provide adequate information on the additional freight expenses. It explains that the service in question is not provided by an affiliate and that because these services are not invoiced on a shipment-specific basis they cannot be reported on a shipment-specific basis.

Department's Position

After reviewing the information on the record, we see no reason to deny the adjustment. Contrary to the petitioners' claims, the loading service was not provided by an affiliate. Further, the way in which Hyundai incurs this cost prohibits shipment-specific reporting.

Comment 11: Export Price Adjustment

Petitioners assert that the Department should deduct certain expenses that they claim relate to movement (e.g., communication costs and markups) incurred by Hyundai's U.S. affiliates from export price under section 772(c)(2)(A)of the Act. According to the petitioners, these costs are incident to bringing the subject merchandise from Korea to delivery in the United States, and thus should be deducted from U.S. price. Because Hyundai has not reported all of these expenses in its response, petitioners advocate that we should apply, as facts available, a factor based on the affiliates' SG&A rates.

Hyundai argues that because its sales to the United States are export price sales, the specific expenses discussed by petitioner cannot be deducted.

Department's Position

Pursuant to section 772(c)(2)(A) of the statute, the export price is to be reduced by any additional costs, charges, or expenses which are incident to bringing the subject merchandise from the exporting country to the United States. In this case, the Department has made the appropriate movement-related reductions to export price by deducting the costs incurred for moving the subject merchandise from Korea to the customer in the United States. In accordance with our normal practice, these costs included brokerage and handling, marine insurance, international freight, U.S. brokerage and wharfage, and inland freight charges incurred in both countries. The Department does not consider the type of expenses that the petitioners ask us to deduct from export price as costs that are incident to bringing the subject merchandise from Korea to the place of delivery in the United States.

Comment 12: Overstatement of Inventory Carrying Cost

The petitioners state that rather than using the cost reported in the inventory records, Hyundai incorrectly used sales value when computing the inventory carrying cost adjustment. They assert that the reported adjustment should be recalculated downward to compensate for this difference.

Hyundai argues that it calculated the adjustment correctly, basing inventory carrying cost on production cost, not sales value.

Department's Position

We agree with the petitioners that Hyundai's reported inventory carrying cost adjustment is overstated. Upon examination of the record, we are unable to substantiate the inventory carrying cost adjustment as reported by Hyundai. It is not clear on what basis, value or cost, the adjustment was calculated. In fact, Hyundai states in its original response that it calculated the adjustment by using the ''value'' of the inventoried merchandise. The Department requested that the respondents calculate inventory carrying cost adjustment based on the opportunity cost to maintain inventory, noting that the cost is normally calculated by using the merchandise's cost or acquisition price. Because Hyundai's inventory carrying cost adjustment is overstated, we have recalculated this adjustment based on Hyundai's reported COM.

Comment 13: Erroneous Coding

The petitioners note that Hyundai reported inland freight charges on some home market FOB sales. They state that the Department should deny any freight adjustment for these sales, but still reduce COP by the amount of the claimed adjustment.

The respondent notes that these sales were incorrectly coded and should have been reported delivered, not FOB.

Department's Position

We agree with Hyundai and have corrected the database for more minor errors in reporting. Further, we find no reason to apply an adverse inference to these transactions, as petitioners request.

KISCO/Union

Comment 14: Collapsing of Kisco and Union

KISCO/Union argues that the Department should reverse its decision to ''collapse'' Union and KISCO and should instead calculate individual dumping margins for each company based on the respective sales and cost data, for the reasons set forth in previously submitted comments by Union and KISCO on September 5, 1997 and September 11, 1997.

The petitioners first note that KISCO/Union's comment, other than a reference to their previous submissions, presents no new arguments on this issue. As such, the petitioners contend that KISCO/Union's comment may not be considered, in accordance with section 353.38(c)(2) of the Department's regulations which require that the case brief shall separately present in full all arguments believed to be relevant to the final results, ''including any arguments presented before the date of publication of the preliminary determination or preliminary results.'' In case the Department chooses to reconsider Union and KISCO's previous submissions on this issue, the petitioners argue that there is overwhelming evidence that supports the Department's collapsing decision, discussed in the petitioners' previously submitted comments on October 16, 1997 and October 20, 1997.

Department's Position

For reasons discussed in our *Preliminary Results*, we continue to find that it is appropriate to collapse Union and KISCO.

Comment 15: Kisco and Union's Collapsed Data

On October 22, 1997, the Department instructed KISCO/Union to resubmit its cost and sales data on a consolidated basis. The petitioners argue that KISCO/Union failed to do this properly. First, the petitioners state that KISCO/Union's methodology of weighing each field in the COP and CV databases by the production quantity in each company's response creates varying G&A factors depending on each company's production quantity of each product. The petitioners argue that the Department should recalculate G&A expenses such that a single entity-wide factor is applied to the weighted average cost of manufacture or base KISCO/Union's G&A ratio on facts available. According to the petitioners, a similar distortion is created for all adjustments to NV or export price, such as indirect selling expenses and all imputed expenses, that were based on individual company data instead of aggregated data.

KISCO/Union first notes that the manner in which it reported its data is materially identical to the methodology used by the Department in the *First Review Final Results,* which was not challenged by the petitioners. KISCO/Union disagrees with the petitioners' argument relating to price adjustments, movement charges, and selling expenses, arguing the Department's longstanding practice is to calculate such adjustments as specifically as possible, which it claims was already done in the individual companies' responses. Given such policy, KISCO/Union further argues that use of a single indirect selling expense ratio is inappropriate because KISCO and Union's sales are handled by completely separate sales departments within their respective companies, each with their own expenses. With respect to the petitioners' arguments relating to the calculation of G&A and interest expense, KISCO/Union contends recalculation is unnecessary because the petitioners have failed to demonstrate that any material distortion arose from the methodology used by it. Alternatively, KISCO/Union states that the recalculation of G&A and interest expense on an entity-wide basis can be performed using data already on the record and do not require use of facts available.

Department's Position

We agree with the petitioners in part. Because the Department has decided to collapse Union and KISCO and thus treat the two companies as a single entity for purposes of calculating the dumping margin, we find that G&A, interest expense, indirect selling expense ratio and interest rate should be calculated on an entity-wide basis. We note that the methodology employed by the Department in the *First Review Final Results* was limited by the information that was available on the record in that proceeding.

For these final results, we have recalculated G&A by adding the G&A expenses from Union and KISCO and dividing this sum by the total sum of cost of goods sold for the two companies. With respect to interest expenses for companies that are part of a consolidated group, the Department's policy is to base the interest expense calculation on the consolidated financial statements of the group. Because Union and KISCO are part of the Dongkuk Steel Mill Group (DSM group), the interest expense for the collapsed entity of KISCO/Union should also be based on the consolidated financial statement of that group. As pointed out by KISCO/Union, however, Union is not included in the consolidated DSM statements. Accordingly, we have re-calculated the interest expense on an entity-wide basis by adding the net interest expense of the DSM group with that of Union and dividing by the total cost of goods sold for the combined DSM group and Union. To calculate a collapsed home market indirect selling expense ratio, we divided the combined indirect selling expenses of Union and KISCO by the combined total domestic sales value of both companies. We also have re-calculated all imputed expenses, including credit expenses and inventory carrying costs, using the weighted-average interest rate for the collapsed entity.

With respect to other adjustments to price and NV or movement charges, we used the information provided because such items were reported properly by KISCO/Union.

Comment 16: Consistency of COP and CV Data

The petitioners argue that KISCO/Union has reported inconsistent COP and CV data in their collapsed data. In one instance, the petitioners state that the underlying components of total COM differ between the COP and CV databases but the total is the same. The petitioners also note that the production quantities for many products differ between the two databases. The petitioners assert that KISCO/Union has not provided sufficient explanation of its methodology to account for such variations and as such, the Department must base its final results on facts available.

KISCO/Union acknowledges that the databases do contain differences but contend that they can be corrected easily. This error occurred when products were sold only in one market. With respect to the one instance where the cost fields varied while the total COM remained the same, KISCO/Union explains that the discrepancy resulted when the conversion factor for converting from an actual weight basis to a theoretical weight basis was inadvertently applied twice to the costs but not to the total COM itself. KISCO/Union argues that because only total

COM is used in the Department's dumping margin calculation, the error has no effect on the margin calculation.

Department's Position

We have examined KISCO/Union's collapsed data and are satisfied that the discrepancies resulted from simple ministerial errors. We also find that KISCO/Union's error in applying the conversion factor does not affect the Department's calculations. For these final results, we corrected the databases and calculated weight-averaged total COMs using the combined cost components and production quantities.

Comment 17: Interest Expenses

The petitioners contend that KISCO failed to demonstrate that the ''interest from short-term securities,'' reported in DSM financial statement, was a proper offset to interest expenses. The petitioners further argue that KISCO/Union failed to show why it did not account for the foreign exchange and translation gains and losses as reported in DSM's financial statements. Because KISCO/Union did not provide an explanation that such gains and losses are unrelated to DSM's purchase transactions or borrowing cost, petitioners urge that the Department should include those items in the calculation of interest expenses.

KISCO/Union counters that the petitioners' argument does not apply because the calculation of its combined interest expense was not based on the DSM consolidated financial statements. Instead, KISCO/Union explains that the collapsed data reported a weighted-average interest expense by product, based on the company-specific interest expense. KISCO/Union states that the use of interest rates based on the DSM statements would be inappropriate because Union is not included within the consolidated DSM statements.

With respect to foreign currency translation gains and losses, KISCO/Union argues that the Department has previously held that such items are properly included in G&A expenses, which are calculated at the level of the operating companies, rather than interest expense, which may be calculated at the level of the consolidated group of companies. Accordingly, KISCO/Union contends that because DSM is itself an operating company, its G&A expenses should be assigned to its own production alone unless they are shown to be attributable to subject merchandise or foreign like product.

Department's Position

As discussed in Comment 15, we calculated an entity-wide net interest expense factor for KISCO/Union by combining Union's net interest expense with the net interest expense from DSM's consolidated income statement. Contrary to petitioners' argument, we find no basis on which to exclude DSM's interest income as a reduction in the company's interest expense. In fact, DSM's consolidated financial statements identify the income amounts as having been earned by the company from its investments in short-term securities. See, *Final Results of Administrative Review of Porcelain-on-Steel Cooking Ware from Mexico,* 61 FR 54,616, 54,621 (October 21, 1996) (describing the Department's practice, in calculating COP and CV, of reducing respondent's interest expense by interest income earned from short-term investments).

With respect to the net foreign currency exchange loss reported in DSM's consolidated financial statements, we have included this amount in our calculation of KISCO/Union's combined net interest expense. As noted by petitioners, KISCO/Union did not explain why it did not account for any of DSM's foreign exchange gains or losses in calculating COP and CV. Rather, KISCO/Union stated that it excluded these amounts from costs because they were properly categorized as G&A expenses. In past antidumping cases, however, the Department has treated the gains and losses arising from the restatement of foreign currency debt as part of the respondent's net financing costs. See, *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Korea,* 63 FR 8934, 8940 (February 23, 1998) (where the Department treated foreign exchange losses on long-term debt as part of interest expense). Here, DSM's consolidated financial statements report that the group holds loans denominated in foreign currencies. DSM, however, did not attribute to its net financing costs any of the foreign exchange gain or loss resulting from restatement of these loan balances. Therefore, for the final results, we have recalculated KISCO/Union's financial expense to include the net foreign exchange loss reported in DSM's consolidated income statement as non-adverse facts available.

Comment 18: Indirect Selling Expenses

The petitioners argue that Union's indirect selling expense ratio must be recalculated before being collapsed with KISCO's data. Specifically, they claim Union has misallocated its home market indirect selling expenses on the basis of percentage of employees involved in domestic sales compared to export sales or sales administration. Instead, the petitioners claim that the Department, in accordance with its normal practice, should allocate such expenses based on costs of sales in each market.

KISCO/Union contends that the Department has accepted Union's allocation methodology in every previous review involving Union and has no reason to depart from the past practice in the present proceeding.

Department's Position

Where transaction-specific reporting is not feasible, the Department's general practice is to allow companies to allocate expenses, provided that the allocation method used does not cause inaccuracies or distortions. See *Statement of Administrative Action,* (*SAA*), H.R. Doc. No. 103–316, vol. 1 (1994) at 153–154. Whether a particular allocation methodology used is reasonable is determined on a case-by-case basis. In this instance, we find Union's methodology of allocating its indirect selling expenses based on the number of employees may cause inaccurate results because a large portion of the indirect selling expenses were not incurred based on the number of employees. Therefore, we have recalculated Union's indirect selling expense by allocating the total expense on the basis of percentage of domestic sales to total sales.

Comment 19: Union's Freight Forwarder

The petitioners argue that Union failed to demonstrate that its transactions with Kukje Transportation, Union's affiliated freight forwarder, were at arm's length prices. The petitioners state that the sample trucking lists provided by Union do not show that the prices charged by Kukje were comparable with those charged by an unaffiliated freight forwarder. Specifically, the petitioners claim that the freight fee schedule does not show that the prices were based on the same destination and that schedule does not identify the trucking firm to which it applies. Accordingly, the petitioners urge the Department to calculate Union's freight forwarding expenses based on facts available.

KISCO/Union contends that the destination codes in the freight fee schedule that Union provided show clearly that the rates were based on the same destination, and demonstrate that identical rates were charged to affiliated and unaffiliated parties. KISCO/Union also points out that the name of the

trucking firm was clearly identified and the higher rate applies to a later time.

Department's Position

We disagree with the petitioners. Upon a careful examination of the information submitted by Union regarding its transactions with Kukje, we find there is sufficient evidence to demonstrate that the transactions were at arm's length. The sample trucking lists and fee schedules, which clearly identify the destination codes and the name of the unaffiliated trucking firm, demonstrate that the prices charged by Kukje were comparable to that charged by unaffiliated firms.

Comment 20: Home Market Credit Period For Letter-of-Credit Sales

The petitioners argue that the Department should deny KISCO/Union's claim for credit expenses for ''cash'' sales in the home market for the time period when Union must submit appropriate shipment documents for review by the bank before payments can be credited to Union's account. The petitioners state that the adjustment must be denied because there is no evidence that the check or local letter of credit is not negotiable by Union upon receipt. According to the petitioners, Union's claimed adjustment actually constitutes an imputed credit expense for that waiting period involved in clearing check or local letter of credit deposits. The petitioners argue that because there is no indication that a similar waiting period is included in calculating Union's credit expenses on US sales, the claim must be rejected.

KISCO/Union asserts that there is no support for the petitioners' claim that the adjustment represents an imputed credit expense for the waiting period for clearing check deposits. KISCO/Union clarifies that ''cash'' sales simply refer to local letter of credit sales. KISCO/Union states that Union has merely calculated the credit expenses associated with the period from the date merchandise is shipped to the date that Union actually receives payment by negotiating the shipping documents. KISCO/Union points out that the Department has previously adjusted for the credit expense incurred in such sales in the *First Review Final Results* and in other cases in which Union was a respondent.

Department's Position

We agree with KISCO/Union. We normally adjust for imputed credit expense to account for the opportunity cost associated with the period of time between shipment and payment. Because payment by the bank is not made until the required documents are presented by Union, an adjustment for imputed credit expense for the waiting period is proper. We have no reason to believe that the letter of credit is actually negotiable upon receipt.

Comment 21: Union's Warehousing Expenses

The petitioners contend that Union's reported pre- and post-sale warehousing costs are overstated. They argue that these costs should be calculated by applying the ratio between the volume of pipe warehoused for a specific sale and the total volume of all other products warehoused, whether as inventory or in connection with specific sales. The petitioners argue that the adjustment must be denied because there is no information on the record to determine what share of total warehousing labor and identifiable costs were incurred as direct warehousing costs.

KISCO/Union counters that pursuant to the URAA, warehousing is treated as a movement expense without drawing a distinction between direct and indirect expenses. Further, KISCO/Union contends that the Department has repeatedly accepted Union's allocation methodology in the past reviews and there is no evidence that a volume-based allocation methodology should be used instead.

Department's Position

We agree with KISCO/Union. KISCO/Union is correct in stating under the URAA, home market movement charges, which include warehousing expenses, are to be deducted from NV regardless of the direct or indirect nature of the expenses. See section 773(a)(6)(B)(ii) of the Act. In general, all warehousing expenses that are incurred after the merchandise leaves the original place of shipment are considered as movement expenses. See, e.g., *Certain Cold-Rolled and Corrosion Resistant Carbon Steel Flat Products From Korea: Final Results of Antidumping Duty Administrative Reviews,* 63 FR 13170, 13179 (March 18, 1998). Here, the original place of shipment is Union's Pusan plant and the warehouse is located in Seoul. Because these warehousing expenses are incurred after leaving the original place of shipment, we consider the expenses proper movement charges.

Where transaction-specific reporting is not feasible, the Department's general practice is to allow companies to allocate expenses, provided that the allocation method used does not cause inaccuracies or distortions. See *SAA* at 153–154. Whether a particular allocation methodology used is reasonable is determined on a case-by-case basis. In this instance, we find that there is no evidence to indicate that the allocation methodology used by KISCO/Union causes inaccuracies or distortions.

Comment 22: Duty Drawback

The petitioners claim that based on the reported total weight of hot-rolled coil imported during the POR the amount of duty drawback reported by KISCO on US sales appears to be excessive when compared to import duties included in CV. The petitioners argue that in the *First Review Final Results* the Department adjusted the US price only by the amount of duties actually included in the product. Using the same argument, the petitioners contend that because the CV is intended to value merchandise exported to the United States, the actual amount of duties included in the exported product for CV purposes should be equal to the amount of duties paid on the imported inputs as reported in CV. Accordingly, the petitioners state that where NV is based on CV, the Department must reduce the amount of duty drawback to that reported in CV, or in the alternative, lower CV by the amount of duties and make no adjustment for duty drawback.

KISCO/Union first points out that duty drawback is received on the amount of imported coil incorporated into merchandise exported by KISCO during the POR, rather than the amount of coil imported during the POR. KISCO/Union explains that because the duty drawback system in Korea permits refunds of duties for merchandise exported up to two years after importation, KISCO was entitled to receive duty drawback during the POR on coil imported before the POR. KISCO/Union argues that the amount of duties included in the exported product is the actual amount and cannot be made to vary depending on the comparison NV. Citing *Avesta Sheffield, Inc.* v. *United States,* 838 F. Supp. 608 (CIT 1993), KISCO/Union states that it is well-established that the duty drawback adjustment is not limited by the amount of duties included in NV.

Department's Position

Pursuant to section 772(c)(1)(B) of the Act, the Department is required to adjust the EP and CEP by the amount of duty drawback received on the imported inputs. As we stated in the *First Review Final Results,* the amount of the adjustment is limited to the amount of duties actually paid on the input of the exported product. Because both Union and KISCO have received duty drawback under the individual-

transaction provision of the Korean duty drawback law, there is no reason to believe that the duty drawback reported reflects an amount other than the actual duties paid (*see* comment 5 above).

We disagree with the petitioners' contention that the amount of duties included in CV should be equal to the amount of actual duties paid on the imported inputs. As held by the CIT, the Department is not required to limit the drawback adjustment by an average rate of duty for all raw materials utilized. See *Avesta,* 838 F. Supp. at 612 (''As concerns either raw materials or sales, there is no requirement that ITA match overall rebates to overall duties to achieve balanced numbers on both sides of the comparison.''). No changes to the duty drawback adjustment are therefore necessary for KISCO/Union.

Comment 23: Packing Costs

The petitioners argue that the Department should reject KISCO's packing costs because they are unexplained and distortive. The petitioners contend that KISCO did not submit any supporting documentation for packing costs charged by subcontractors that would explain how costs were derived. In particular, the petitioners object to KISCO's calculation of thinner and lacquer costs and suggest that KISCO has ''simply posit(ed)'' a per-unit cost of thinner and lacquer. Furthermore, the petitioners assert that KISCO's methodology of allocating packing costs, including costs for thinner and lacquer, tags or bands, on the basis of the number of bundles or tonnage packed is unreasonable because such costs vary depending on pipe thickness or the surface area of the particular product. The petitioners argue that these alleged problems provide more reasons to base the final results on facts available.

With respect to KISCO's allocation methodology, KISCO/Union states that the petitioners' argument is ''speculative and trivial'' in terms of costs involved, and also asserts that the same packing cost methodology was verified and accepted by the Department in the *First Review Final Results.* KISCO/Union points out that KISCO was never requested to provide copies of subcontractor fees schedules or related documents. KISCO/Union also argues that KISCO's original questionnaire response clearly shows that the per-unit cost of lacquer and thinner was calculated by dividing the total cost of materials by the total quantity packed during the period.

Department's Position

Although KISCO did not submit any supporting documentation for its packing costs charged by subcontractors, use of facts available would be clearly inappropriate in this case where the information was never requested specifically by the Department. Moreover, there is no evidence on the record that would indicate that the packing costs provided by KISCO and the allocation methodology used by it are inaccurate or distortive. With respect to the allocation of lacquer and thinner costs, KISCO's response clearly shows that the per-unit cost was properly calculated by dividing the total cost of materials by the total quantity packed during the period. Moreover, the petitioners have provided no evidence that variations in the pipe thickness or surface area of the particular product, if any, would have more than an insignificant effect on the per-unit cost.

Comment 24: Loading Charges

The petitioners contend that KISCO failed to respond adequately to the Department's inquiry regarding KISCO's affiliated company, Chunyang Transportation Company (''Chunyang''). The petitioners assert that despite the Department's request to provide evidence demonstrating the arm's length nature of the transactions between KISCO and Chunyang, KISCO failed to do so by merely submitting Chunyang's fee schedule for KISCO without any other evidence of comparable fees charged by unaffiliated parties. Consequently, the petitioners argue that KISCO's loading charges must be based on facts available.

KISCO/Union counters that KISCO could not provide other evidence of comparable fees because KISCO and Chunyang dealt exclusively with each other during the POR. Therefore, KISCO/Union asserts that by providing Chunyang's fee schedule, KISCO provided all of the information available to it. Further, KISCO/Union claims that in the *First Review Final Results,* the same documentation was accepted by the Department as evidence of arm's length nature of transactions, without protest by the petitioners. KISCO/Union also notes that the Department did not find any indications of less than arm's length dealings in the verification of the *First Review Final Results.* As such, KISCO/Union argues that the use of facts available is unwarranted.

Department's Position

We agree with the petitioners. There is no evidence supporting KISCO's claim that its transactions with Chunyang for this period of review were at arm's-length. As such, the Department has no way of establishing that the prices charged to KISCO are at arm's-length. In the absence of price information, KISCO should have provided information relating to the costs of Chunyang. Since KISCO did not provide this information, we find that the use of facts otherwise available is appropriate pursuant section 776(a)(1) of the Act. As facts available, we have used the highest reported rate of loading charges of all the respondents in the present review, which has resulted in the use of KISCO's own charges.

Comment 25: Double-Counting of Inventory Carrying Costs

KISCO/Union claims that the Department erroneously double-counted inventory carrying cost for purposes of the cost test and in the calculation of CV. According to KISCO/Union, inventory carrying cost is deducted in the calculation of net price in the cost test of the margin program but the COP to which the net price is compared includes total actual interest expense and therefore includes imputed inventory carrying cost. Consequently, KISCO/Union argues that the Department's calculations unfairly compares a net price for home market sales that does not include imputed inventory carrying cost to a COP that does. KISCO/Union asserts that because the Department's current policy is to make no deductions for imputed expenses (*i.e.,* imputed credit and inventory carrying costs) in calculating the net home market price for the cost test, the program must be corrected so that inventory carrying cost is not deducted in the calculation of net price to be compared to COP. Similarly, KISCO/Union argues that the Department double-counted inventory carrying cost in the calculation of CV by including both total actual interest with no offset for imputed expenses, and indirect selling expenses inclusive of inventory carrying cost.

The petitioners counter that the Department was correct to add imputed inventory carrying costs in COP and CV. The petitioners contend that the actual net interest expense included in COP and CV does not include imputed interest expenses for inventory carrying costs, which represents an opportunity cost that is not reflected in the actual interest expenses of the company. Therefore, the petitioners state that the Department correctly deducted inventory carrying costs from net price before comparison to COP and correctly included inventory carrying costs in CV.

Department's Position

We agree with KISCO/Union and have corrected our program to remove the deduction of inventory carrying cost from the net price to be compared with COP and in from the build up of CV. As for the petitioners argument that inventory carrying costs are not included in a company's interest expense, we note that a company's ''interest'' expenses will include, among other items, cost that it incurs in financing its inventory. While such costs are not directly calculated as imputed expenses and directly entered into the company's books, they are, nonetheless, costs that are covered by its financing expenses.

SeAH

Comment 26: Duty Drawback Adjustment

The petitioners contend that SeAH can report duty drawback on a sales-specific basis, but point out that SeAH has asked for the duty drawback adjustment to be made on the basis of an average amount allocated across all US sales. The petitioners request that this duty drawback adjustment be denied.

SeAH states that it provided transaction-specific data in general, but could only provide an average for CEP sales because these sales could not be linked to individual shipments. SeAH notes that in the *LTFV* investigation and in the *Preliminary Results*, the Department accepted the average as a reasonable methodology for calculating duty drawback.

Department's Position

We find that where a respondent cannot report transactions-specific adjustments, reasonable allocations are acceptable. Here, SeAH has calculated average POR amounts for duty drawback on its CEP sales since it is unable to link shipments to subsequent sales. For CEP sales, we find SeAH's methodology to be reasonable.

Comment 27: US Duty, Brokerage, and Handling on CEP Sales

The petitioners argue that SeAH should not be allowed to allocate US Duty, Brokerage, and Handling on CEP sales. Because SeAH has reported these foreign charges on an average weight basis, rather than the value basis in which they were incurred, and because the statute requires that margins be calculated on a sale-specific basis (*see* 19 U.S.C. § 1675(a)(2)(A)), the petitioner contends that we should not accept the allocations. The petitioners suggest a facts available rate of the highest rate for any EP sale of that product or the highest rate reported for any sale for each expense where EP sales data is not available.

SeAH states that it is not able to link inventory sales to original shipments and therefore must report the charges in question on an average basis. SeAH emphasizes that while it may be theoretically possible to link imports of subject merchandise with the reported sale, neither SeAH nor its affiliates maintain their sales data in this way. A link could only be found if done manually. SeAH insists that this methodology was used in the *LTFV* investigation and has not been further questioned by the Department.

Department's Position

We find that SeAH's reporting of US Duty, Brokerage, and Handling as allocations on CEP sales is reasonable, in that CEP sales can not be linked to shipment-specific information for these expenses. We agree with the petitioner, however, in that the allocation for US Duty and Brokerage on volume is distortive because it is not on the same basis in which it is incurred. For these final results, we have reallocated US Duty and Brokerage based on value for CEP sales because these expenses are incurred on a value basis. We will continue to accept the allocation of Handling because it is incurred on a weight basis.

Comment 28: International Freight

The petitioners suggest that SeAH's international freight expenses should be based on facts available because SeAH has failed to support its ocean freight expenses and the information in the responses is inconsistent. The petitioners suggest that the Department use an adverse facts available rate based on the highest rate charged for any single shipment.

SeAH reexamined its response and found that though their source documents and data presented are correct, several of their sample calculations were incorrectly presented. SeAH insists that this was an error only in the sample calculation attachments and not in the sales databases. In addition, SeAH has provided in an attachment to the rebuttal brief a sales trace showing the correct amounts.

Department's Position

While there were several clerical errors in the sample calculations, the source documents and data support the amounts reported by SeAH for international freight expenses. Accordingly, we have not made any changes to SeAH's reported international freight expenses.

Comment 29: US Packing Costs

The petitioners suggest that SeAH's US packing costs should be based on facts available because SeAH has ignored the Department's requests to provide information on the type of packing materials used, as well as the average labor hours by packing type and the average labor cost per hour. The petitioners also point out that SeAH has failed to provide a list of overhead expenses incurred in packing or to demonstrate how these expenses were allocated in each packing type. The petitioners insist that SeAH should have provided a better explanation of why it cannot calculate the amount of packing material used for each product as well as the methods used to derive the packing labor costs. The petitioners suggest a facts available rate of the highest packing cost for any product reported by SeAH for US sales and the lowest reported for home market sales.

SeAH contends that it has provided in its responses the basis for each packing calculation by calculating the packing costs on a metric ton basis, distinguishing between domestic and export markets, black and galvanized pipe, outside diameter dimension categories, and standard and conduit pipe. SeAH argues that because packing labor costs were consistent with the fee schedule of its subcontractors, they should be acceptable. SeAH insists that the allocation of material costs on a metric-ton basis is appropriate because these costs were based on the actual average per metric ton of materials used during the POR, depending on the type of pipe and its destination.

Department's Position

We agree with SeAH that its methodology for reporting packing costs is reasonable because it has allocated the costs on the basis on which they are incurred. This methodology has been accepted in prior segments of this review. We have no reason to believe, based on the information on the record, that the reported costs are unreliable.

Comment 30: Affiliated Producers' Costs

The petitioners find that SeAH's reported costs should be rejected because it has failed to report the costs of certain affiliated producers. The petitioners describe the decision by SeAH not to report these costs as ''unilateral'', and suggest that SeAH has not reported direct materials, labor, and other costs incurred to produce the merchandise under review. The petitioners find that products

manufactured by affiliated producers are a significant portion of the total merchandise produced and sold in the home market, and would have been a more significant portion if home market sales reporting had not be limited to merchandise comparable to that sold in the United States. The petitioners point out that excluding some costs from reporting can cause a large number of additional sales to fall below cost and result in a substantial increase in the use of CV, which can have a significant effect on the margin calculated. The petitioners suggest that the Department reject SeAH's CV and COP information.

SeAH responds by claiming that the decision not to report the costs in question was not ''unilateral'' because the Department agreed that SeAH did not have to report these costs. SeAH reiterates that the costs of the affiliated producers are minimal compared to SeAH's total costs and would have no impact on the reported COM. SeAH also notes that the petitioners' suggestion that not all of the merchandise produced by affiliated producers has been reported is unsubstantiated. According to SeAH, comparison merchandise has been distinguished from non-comparison merchandise in it responses. As for the inclusion of the affiliated producers' general expenses in calculating general expenses for SeAH, SeAH argues that these expenses apply to very few models and would have no impact on the CV.

Department's Position

In the course of this proceeding, we informed SeAH that it need not report costs for its affiliated producers pending the examination of information on their percentage of SeAH's production by model type (*see* Memorandum to the File, from IA analyst/Marian Wells, November 18, 1997). Upon examining information submitted by SeAH on the percentage of production by the affiliated producer, we decided not to request these costs for purposes of this review. For any given model, the affiliated producer's percentage of production was small compared to SeAH's production; as a result; including the costs of this affiliated producer would have had almost no effect on our calculations.

Comment 31: Indirect Selling Expenses and ISE Ratio

The petitioners claim that SeAH did not include several expenses in its reporting of indirect selling expenses. The petitioners provide specific examples of indirect selling expenses for SeAH's affiliated resellers that were not fully explained or appear to be inconsistent with SeAH's financial statements.

SeAH responds to the petitioners' allegations by stating that it has reported all incurred expenses either as SG&A or, if they fit the criteria, as movement expenses reported as outbound freight or direct selling expenses. SeAH notes that the Department has accepted its reporting methodology since the beginning of the case.

Department's Position

All of SeAH's expenses are identified and there is nothing on the record to indicate that these expenses have been mischaracterized.

Comment 32: Inland Freight Costs and Plant-To-Warehouse Freight Costs in G&A

The petitioners argue that SeAH did not adequately report its inland freight costs concerning freight from the plant to the warehouse and from the plant to the distribution point in its initial submission. When SeAH responded to supplemental questionnaires, the petitioners point out, freight costs and warehousing costs were inconsistent with estimates described in SeAH's initial response. For example, SeAH initially stated that it shipped pipe from the factory to the Pohang warehouse only occasionally. Later, SeAH found that it actually shipped much more frequently than previously reported. Because of inconsistencies like this one, the petitioners suggest that SeAH's freight and warehousing costs are incomplete and unreliable. According to the petitioners, SeAH has also failed to report inland freight costs on a shipment-by-shipment basis and should therefore be considered non-responsive.

The petitioners maintain that because certain delivery charges have been taken out of SeAH's G&A accounts and there is no indication that they have been accounted for elsewhere, the use of facts available is required. As facts available, the petitioners state that these expenses should be returned to the calculation of G&A, and inland freight costs should be based on facts available and SeAH's plant-to-warehouse freight costs should be added to SeAH's reported G&A expense.

SeAH states that the petitioners used the last reported home market sales database based on the revised date of sale methodology to calculate the total number and volume of warehoused sales and then compared these figures to the total sales volume in the earlier response with a smaller home market database. This overstated the proportion of domestic sales that were warehoused. This same error by the petitioners led them to overestimate the number of warehoused sales of comparison merchandise. Also, SeAH argues that the calculation of average per metric ton cost was necessary because there is no link between shipments to the warehouse and the sales from the warehouse inventory. Regarding the calculation of the average factory-to-warehouse freight charges, SeAH states that the petitioners were in error when they divided (for the sample months) sales shipped by truck only by the total quantity shipped by truck and rail, thus understating the per-ton freight charge. SeAH did this calculation correctly and found that the variance between the annual average and the monthly average was relatively small. Monthly freight charges may contain some variance because freight charges per ton vary by the size/type of truck used. Regarding SG&A charges, SeAH clarifies that the inland freight charge is recorded in its books as an indirect selling expense but was not ''included'' as an indirect selling expense for purposes of responding to the antidumping questionnaire. SeAH maintains that it has excluded all freight from its calculation of indirect selling expenses.

Department's Position

We agree with SeAH that the petitioners made errors in their calculations by mixing together information from earlier HM datasets not used for these final results with newer information that was used. We find that SeAH has explained sufficiently how their calculation was performed in regards to each of the petitioner's claims, and its reporting was reasonable. Where possible, i.e., for EP sales, SeAH has reported shipment-by-shipment freight costs. Because SeAH is unable to link shipments to the warehouse and sales from the warehouse for CEP sales, we consider the average per-metric ton costs to be the most reasonable methodology available for reporting CEP sales.

We have also found that while SeAH recorded these plant-to-warehouse expenses as selling expenses in its books, this does not mean that they must be reported for the Department's purposes as selling expenses. SeAH's plant-to-warehouse freight costs should not be added to SeAH's reported G&A expense because plant-to-warehouse freight costs are considered movement expense for antidumping calculation purposes.

Comment 33: Foreign Brokerage Charges

The petitioners find that SeAH's foreign brokerage charges have been calculated incorrectly because they are

based on the FOB value of each shipment divided by the number of tons in each shipment. The petitioners find that this calculation results in distortions because it does not account for variance in value. The petitioners suggest that the Department recalculate foreign brokerage charges by multiplying, for each observation, the per-unit value by the ad valorem charges for foreign brokerage. For brokerage on CEP sales, the petitioners suggest the use of on facts available because SeAH has not acted to the best of its ability in reporting expenses on a transaction-specific basis.

SeAH states that its foreign brokerage methodology based on volume has not been questioned by the Department. SeAH conducted a sample value allocation of 50 observations (27 sales) and found it made little difference to the calculation. SeAH argues that its methodology is sound and that there is no reason for a change in methodology for the final results. If, in fact, the Department finds reason for a change in methodology, SeAH provides several suggestions for the revised calculation.

Department's Position

We agree with the petitioners. We have reviewed SeAH's responses and found that foreign brokerage should be reallocated based on value because it is incurred based on value. We have made this reallocation in our final results.

Comment 34: SG&A Expenses

The petitioners state that SeAH has erred in reducing the SG&A component of CV by the amount of expenses in its books for factory-to-warehouse freight. In addition, the petitioners claim that SeAH is not clear in explaining whether the credit expenses, container stuffing charges and postage expenses recorded in its books that were not included in SG&A have been included elsewhere.

SeAH states that credit expenses, container stuffing charges and postage, as documented in its response, were incurred on exports of non-subject merchandise. As for the factory-to-warehouse freight, SeAH explained that this was reported as a movement expense in the response to the questionnaire.

Department's Position

SeAH used the accounts for SG&A from its books and then deducted various costs from those accounts when appropriate (i.e., costs not associated with subject merchandise and freight costs which were reported separately). Therefore, we have not changed SeAH's SG&A component of CV.

Comment 35: Selling Expenses of Affiliated Importers

The petitioners point out that regardless of how selling expenses of SeAH's affiliated importers are characterized, they should be deducted from CEP. Each of these companies incurs SG&A expenses in performing selling functions that have been relocated from Korea, including shipping arrangements, arranging for entry of the merchandise, issuing invoices, inventory maintenance, and collecting payment. Whether they are considered direct or indirect selling expenses, the petitioners find that they should be deducted from the price used to establish CEP.

SeAH does not disagree that indirect selling expenses should be deducted from CEP sales. SeAH stated that indirect selling expenses were deducted from CEP sales in the *Preliminary Results* margin calculation program. SeAH believes that there is no reason to change this portion of the programming for the final results.

Department's Position

We deducted indirect and direct selling expenses from CEP sales for the *Preliminary Results* of this review and have continued to do so for these final results.

Comment 36: Marine Insurance Costs

The petitioners suggest that based on information provided in SeAH's response, SeAH is able to calculate its marine insurance costs on a product-specific basis. The petitioners also find that SeAH's method of calculating marine insurance is distortive because it is an average over all products and not based on a per-transaction basis. Because SeAH is able to determine the marine insurance premium rate applicable to all reported shipments of subject merchandise, and can trace the C&F value of each product for each shipment, the petitioners claim that it should have calculated an average per-metric ton insurance expense on a transaction-specific basis. The petitioners state that SeAH has further proven itself uncooperative by not at least reporting average marine insurance on a product-specific basis. The petitioners suggest that SeAH's marine insurance costs be based on facts available.

SeAH argues that the Department should reaffirm the methodology used in the first reviews of this case. SeAH maintains that it has explained adequately why it cannot calculate marine insurance on a transaction-specific basis in its response.

Department's Position

We agree with SeAH that it has used a reasonable and appropriate methodology to report their marine insurance costs. SeAH has calculated the reported amount of marine insurance on the same basis that it is incurred by applying the insurance premium rate to the C&F value of the shipment as shown on the commercial invoice. We are accepting SeAH's methodology for these final results.

Comment 37: Transaction-specific Entered Values for CEP Sales

The petitioners suggest that SeAH is able to calculate the average entered value during the POR for sales on a product-specific basis. The petitioners maintain that SeAH's reporting of an average per-unit entered value by surface finish rather than a transaction-specific entered value proves that SeAH has not responded to the best of its ability. The petitioners suggest entered values for CEP based on facts available.

SeAH argues that its methodology is consistent with that used in the *First Review,* but has provided information if the Department chooses to calculate an approximate entered value.

Department's Position

Since we are calculating assessment rates on a per-volume, as opposed to value, basis, this issue is moot.

Shinho

Comment 38: Basis of Indirect Selling Expense Allocations

The petitioners argue that Shinho failed to justify its allocation of indirect selling expenses by the number of employees in its various divisions. The petitioners note that the Department stated in a supplemental questionnaire that its preferred methodology is to allocate such expenses on the basis of sales volume. Furthermore, the petitioners cite the *Notice of Final Determination of Sales Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate From South Africa, (Carbon Steel Plate)* 62 FR 61731, 61736 (November 19, 1997), as stating that the Department normally allocates G&A expenses based on the cost of sales because an allocation ''based on a single factor (e.g., head counts, fixed costs) is purely speculative.'' The petitioners also point to *Carbon Steel Plate* which it states that to deviate from this methodology requires ''evidence that our normal G&A allocation methodology unreasonably states G&A costs.'' Therefore, the petitioners conclude that the Department should allocate

Shinho's indirect expenses based on the cost of sales.

Shinho states that its accounting records do not separately record (SG&A) expenses. Thus, in order to assign costs to each of these functions, Shinho allocated those expenses not directly assignable to each division on the basis of a headcount. Shinho claims that its allocation methodology for indirect selling expenses is consistent with its practice in the original investigation, which was verified and accepted by the Department. Furthermore, Shinho asserts that while the Department prefers to allocate such expenses based on sales volume, it will accept alternatives that are reasonable and fully explained. Shinho states that it adequately explained its methodology and that it is reasonable because many such expenses are related to the number of employees in each division.

Department's Position

Contrary to the petitioner's assertions, we note that Shinho did allocate some indirect selling expense items by value. As for the items that Shinho allocated by number of employees, we find its methodology to be reasonable because these items vary according to the number of employees. This methodology is consistent with that used in the original investigation (*see, LTFV* at 57).

Comment 39: Allocation of Packing Expenses

The petitioners maintain that Shinho misallocated the cost of packing clips and bands by allocating their cost by metric ton rather than by bundle. The petitioners argue that Shinho has not shown that its per-bundle usage rate approximates its calculated weight basis. Additionally, the petitioners state that Shinho has not been cooperative in reporting its packing costs by (1) failing to report the average cost of each packing material as requested by the Department, (2) not reporting a cost for the white steel bands noted in their response, (3) providing packing cost worksheets that are inconsistent and irreconcilable, (4) not identifying the composition of ''common'' packing material costs, (5) not fully explaining the derivation of the allocated coating materials costs, and (6) using an improper methodology for calculating packing labor costs. Thus, the petitioners argue that the Department should double Shinho's reported home market packing costs for use as facts available for its U.S. packing costs. In support of this recommendation, the petitioners cite *Circular Welded Non-Alloy Steel Pipes and Tubes from Mexico: Final Results of Antidumping Duty Administrative Review,* 62 FR 37014, 37020 (July 10, 1997), where the Department followed such a methodology when the respondent had been uncooperative.

With regard to the manner in which it allocated its packing bands and clips, Shinho asserts that the distinction drawn by the petitioners between a per-bundle and a per-metric ton allocation is a ''distinction without a difference.'' Next, Shinho states that ''white'' steel bands do not refer to a separate packing material but rather to the bands used to bind galvanized pipe (internally referred to as ''white'' pipe) and are included already in the reported costs. Additionally, Shinho disputes the petitioners' claim that the worksheets it provided with its response are inconsistent. According to Shinho, its worksheets contain the information necessary to calculate the average cost of each packing material, including coating materials, on a product-specific basis and that these product-specific costs reconcile with the total material usage. Moreover, Shinho states that its allocation of packing labor expenses is consistent with its normal accounting methodology. Shinho further asserts that a per-metric ton allocation of packing labor expense is appropriate because Shinho's operation of a crane accounts for a substantial amount of the packing labor expense. According to Shinho, the capacity of the crane used for packing is measured in tons, the same basis used to allocate the expense. For the aforementioned reasons, Shinho argues that the Department should reject the petitioners' call for the use of adverse facts available for Shinho's home market packing costs.

Department's Position

For purposes of this review, we find Shinho's allocation of the cost of bands and clips to be reasonable. With regard to the petitioners' other points, we find that the information submitted by Shinho with regard to packing costs supports the reported amounts. Therefore, we find no reason to apply facts available with regard to Shinho's packing costs.

Comment 40: Home Market Credit Period

The petitioners assert that it is unclear whether Shinho calculated its customer-specific average credit period on a monthly or annual basis because Shinho stated that it maintains its accounts receivables on a monthly basis and its notes receivables on an annual basis. Additionally, the petitioners cite the example Shinho prepared comparing a specific customer's monthly average accounts receivable period to the year-end accounts receivable for the same customer. The petitioners state that this example, based on a customer that Shinho hand-picked, shows that Shinho overstated its home market credit period. Given these apparent discrepancies, the petitioners request that the Department not adjust NV for home market credit expenses.

Shinho states that, in this review, it reported its home market credit period on an annual, customer-specific basis. According to Shinho, this method most closely approximates the invoice-specific credit period, which is the Department's preferred methodology. Shinho states the Department has accepted customer-specific reporting in other cases. See *Final Results of Antidumping Duty Administrative Reviews and Revocation in Part of an Antidumping Duty Order: Antifriction Bearings and Parts thereof from France, Germany, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom,* 58 FR 39729, 39747 (July 29, 1993) and *Industrial Belts and Components and Parts Thereof, Whether Cured or Uncured from Japan: Final Results of Antidumping Administrative Review,* 58 FR 30018, 30023 (May 25, 1993).

Department's Position

We find that Shinho's use of average annual customer-specific home market credit periods is reasonable giving the limitations of its accounting system. Therefore, we are using Shinho's reported customer-specific home market credit periods for these final results with the exception of one customer. We agree with the petitioners that the supporting documentation Shinho provided comparing the customer-specific monthly average to the year-end average credit period for this one customer showed that the reported credit period is overstated. Therefore, we have adjusted the home market credit period for this customer.

Comment 41: Reliability of Home Market Short-term Interest Rate

The petitioners argue that the Department should not make an adjustment for home market credit expenses because Shinho's reported home market interest rate is unreliable. The petitioners assert that Shinho's trial balance, used by Shinho to support its claim for its reported US interest rate, refutes Shinho's home market credit calculation. The petitioners state that if the Department does not reject Shinho's home market credit expense adjustment in its entirety, as facts available, it

should instead calculate the expense using the US interest rate.

Shinho states that the Department should not reject the firm's calculation of its home market short-term interest rate based on a document provided to support its calculation of its corresponding US interest rate. Shinho argues that the Department did not request that the company reconcile its home market credit expense calculation to supporting company accounting records, including its trial balance. Shinho contends, however, that had the Department made such a request, the company could easily have shown how it had derived the figures used in its home market credit calculation. Furthermore, Shinho states that the same methodology was accepted and verified by the Department in the prior review.

Department's Position

We agree with Shinho that we should not reject or adjust its reported home market interest rate. We requested a reconciliation of Shinho's reported US interest rate; however, we did not request such a reconciliation for its home market interest rate. Thus, we have no reason to believe that the reported home market interest rate is inaccurate.

Comment 42: Interest Expense Factor

The petitioners state that it is the Department's policy to require that interest income used to offset interest expense for the purpose of calculating CV be related directly to production and short-term in nature. See, *First Review Final Results at 55583 and Flowers from Colombia*, at 42833, 42843.

According to the petitioners, Shinho estimated its short-term interest income by calculating its ratio of short-term to long-term deposits. Shinho applied this ratio to the total interest earned to calculate the amount of short-term interest it earned. The petitioners assert that this ratio overstates the short-term interest earned because short-term deposits typically earn less interest than similar long-term deposits. Furthermore, the petitioners claim, Shinho did not identify the short-term deposits that earned interest income or show that its accounting records do not track separately short-term interest income. Finally, the petitioners argue that Shinho did not show that the interest earned from securities was related to production. For each of these reasons, the petitioners state that the Department should reject Shinho's claimed interest income as an offset to its interest expense.

Shinho argues that the Department should continue to offset the firm's interest expense with the short-term interest income that it reported. Shinho asserts that its methodology of calculating short-term interest income is reasonable given that short-term interest income earned is not recorded separately from long-term interest income in its financial statements. Shinho states that the Department accepted a similar approach in the *Final Determination of Sales at Less Than Fair Value: Certain Stainless Steel Wire Rods from France*, 58 FR 68865, 68872 (December 29, 1993). Shinho maintains that the petitioners' citation of the previous review is erroneous because, in that review, the Department rejected the inclusion of a particular investment because it was not short-term, rather than rejecting the full offset because it was calculated by applying a ratio of short-term to total deposits. Finally, Shinho states that the Department did not question the company's methodology and that the petitioner, prior to its briefs, did not raise the issue.

Department's Position

We agree with the petitioners' assertion that Shinho's methodology for calculating the interest income offset to interest expense would be distortional when short-term and long-term deposits earn interest at different rates. Given that the records of interest income earned by Shinho maintained in the normal course of business do not track interest income vis-a-vis the term of the deposit, we have adjusted Shinho's reported interest income offset based on the difference between the short-term deposit rate and the long-term government bond rate in Korea. Additionally, with respect to petitioners' argument that we reject the nature of Shinho's interest income from securities, there is no information on the record which indicates that this income earned from securities was other than short-term in nature. Therefore, we have retained this income in our calculation of Shinho's interest expense for COP and CV.

Comment 43: Exchange Rate Gains & Losses

The petitioners assert that Shinho failed to account for its foreign exchange gains and losses in its cost calculations. The petitioners state that it is the Department's standard practice to account for these gains and losses when they are related to production. Therefore, the petitioners state that the Department should make the appropriate adjustment to Shinho's net interest expense factor.

Shinho agrees that it did not adjust its interest factor for foreign exchange gains and losses. However, Shinho states that it did provide the Department with the information necessary to make the adjustment. Shinho notes that the requested adjustment is relatively insignificant.

Department's Position

It is the Department's standard policy to adjust for foreign exchange gains and losses in a respondent's net interest expense factor. We have made this adjustment for these final results.

Comment 44: Control Number Uniqueness

The petitioners state that the Department should consolidate several of Shinho's control numbers that have identical matching criteria.

Shinho agrees that two of the control numbers at issue are identical under the Department's concordance hierarchy, but that this discrepancy did not have an impact on the margin calculations in the *Prelimary Results*. Shinho disagrees with the petitioner that a third product is identical under the Department's hierarchy because one of the matching characteristics is different.

Department's Position

We have combined the two products that have identical matching criteria. We agree that the third product differs in one of the matching criteria; therefore, we have not reclassified this product.

Currency Conversion

We made currency conversions in accordance with section 773A of the Act based on the rates certified by the Federal Reserve Bank. Section 773A(a) directs the Department to use a daily exchange rate to convert foreign currencies into U.S. dollars unless the daily rate involves a ''fluctuation.'' It is our practice to find that a fluctuation exists when the daily exchange rate differs from a benchmark rate by 2.25 percent. See *Preliminary Results of Antidumping Duty Administrative Review: Certain Welded Carbon Steel Pipe and Tube from Turkey*, 61 FR 35188, 35192 (July 5, 1996). The benchmark rate is defined as the rolling average of the rates for the past 40 business days.

Final Results of the Review

As a result of this review, we find that the following margin exists for the period November 1, 1995, through October 31, 1996:

Manufacturer/exporter	Margin (percent)
Hyundai	4.01
KISCO/Union	0.71
Shinho	3.34
SeAH	3.51

Parties to the proceeding may request disclosure within five days of the date of publication of this notice. In accordance with the methodology in *First Review Final Results* we calculated exporter/importer-specific assessment values by dividing the total dumping duties due for each importer by the number of tons used to determine the duties due. We will direct Customs to assess the resulting per-ton dollar amount against each ton of the merchandise entered by these importers' during the review period.

Furthermore, the following deposit requirements will be effective for all shipments of welded non-alloy steel pipe from Korea entered, or withdrawn from warehouse, for consumption on or after the publication date of these final results of administrative review, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for the reviewed companies will be the rates established in the final results of this administrative review (except no cash deposit will be required for those companies whose weighted-average margin is *de minimis, i.e.*, less than 0.5 percent); (2) for merchandise exported by manufacturers or exporters not covered in this review but covered in the original less-than-fair-value investigation or a previous review, the cash deposit will continue to be the most recent rate published in the final determination or final results for which the manufacturer or exporter received an individual rate; (3) if the exporter is not a firm covered in this review, the previous review, or the original investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this or any previous reviews, the cash deposit rate will be 4.80 percent, the ''all others'' rate established in the less-than-fair-value investigation. See *LTFV* at 42942.

This notice serves as a preliminary reminder to importers of their responsibility to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and notice are in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: June 8, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–15874 Filed 6–15–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–559–001]

Certain Refrigeration Compressors From the Republic of Singapore: Final Results of Countervailing Duty Administrative Review

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

ACTION: Notice of Final Results of Countervailing Duty Administrative Review.

SUMMARY: On December 9, 1997, the Department of Commerce published the preliminary results of its administrative review of the agreement suspending the countervailing duty investigation on certain refrigeration compressors from the Republic of Singapore.

In our preliminary results of review, we preliminarily determined that the signatories to the suspension agreement complied with the terms of the suspension agreement during the period of review (POR). We gave interested parties an opportunity to comment on our preliminary results. We received comments from petitioner and respondents.

We have now completed this review, the thirteenth review of this Agreement, and determine that the Government of the Republic of Singapore (GOS), Matsushita Refrigeration Industries (Singapore) Pte. Ltd. (MARIS), and Asia Matsushita Electric (Singapore) Pte. Ltd. (AMS), the signatories to the suspension agreement, have complied with the terms of the suspension agreement during the period April 1, 1995 through March 31, 1996. Based on our analysis of the comments received, we have not changed the results from those presented in the preliminary results of review.

EFFECTIVE DATE: June 16, 1998.

FOR FURTHER INFORMATION CONTACT: Robert Bolling or Rick Johnson, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–3434 or 482–0165, respectively.

SUPPLEMENTARY INFORMATION:

Applicable Statute and Regulations

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 set forth at 19 CFR part 355 (April 1997).

Background

On December 9, 1997, the Department of Commerce (the Department) published in the **Federal Register** (62 FR 64806) the preliminary results of its administrative review of the agreement suspending the countervailing duty investigation on certain refrigeration compressors from the Republic of Singapore. We received comments from interested parties on our preliminary results. Additionally, the Department sent out a supplemental questionnaire to the respondents on December 22, 1997 to obtain additional information on testing of the subject merchandise. Petitioner provided comments to respondents' subsequent January 6, 1998 submission on January 7, 1998. *See* Comments 3 and 6 below. We have now completed this administrative review in accordance with section 751 of the Act.

Scope of the Review

Imports covered by this review are shipments of hermetic refrigeration compressors rated not over one-quarter horsepower from Singapore. This merchandise is currently classified under *Harmonized Tariff Schedule* (HTS) item number 8414.30.40. The HTS item number is provided for convenience and Customs purposes. The written description remains dispositive.

The review covers the period April 1, 1995 through March 31, 1996, and includes three programs. The review covers one producer and one exporter of the subject merchandise, MARIS and AMS, respectively.

Under the terms of the suspension agreement, the GOS agrees to offset completely the amount of the net bounty or grant (subsidy) determined by the Department in this proceeding to exist with respect to the subject merchandise. The offset entails the