DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–829]

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

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

EFFECTIVE DATE: March 5, 1998.

FOR FURTHER INFORMATION CONTACT: Cameron Werker at (202) 482–3874 or Frank Thomson at (202) 482–5254, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

The Applicable Statute

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

Preliminary Determination

We preliminarily determine that stainless steel wire rod (SSWR) from Korea is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

Since the initiation of this investigation (*Notice of Initiation of Antidumping Investigations: Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan,* 62 FR 45224 (August 26, 1997)), the following events have occurred:

On August 21, 1997, the Department issued a cable to the U.S. Embassy in Korea requesting information identifying potential Korean producers and/or exporters of the subject merchandise to the United States. We did not receive a response from the U.S. Embassy in Korea. However, on September 9, 1997, we received a letter of appearance on behalf of two producers/exporters of SSWR: Changwon Specialty Steel Co., Ltd. (Changwon), and Dongbang Special Steel Co., Ltd. (Dongbang). Based on this letter of appearance and information contained in the petition, on September 19, 1997, the Department issued antidumping questionnaires to the following companies: Dongbang, Changwon, Pohang Iron and Steel Co., Ltd. (POSCO), and Sammi Steel Co., Ltd. (Sammi).

Also in September 1997, the United States International Trade Commission (ITC) issued an affirmative preliminary injury determination in this case (see ITC Investigation No. 731–TA–772).

On October 7, 1997, POSCO submitted a letter to the Department stating that it had no shipments or sales of the subject merchandise to the United States during the period of investigation (POI). Following this submission, we requested that the U.S. Customs Service (Customs) confirm POSCO's statement. On December 10, 1997, we received confirmation from Customs that it had no records indicating POSCO had shipments to the United States during the POI.

On October 10, 1997, the petitioners in this case (*i.e.*, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and United Steelworkers of America) requested that the Department revise its questionnaire to obtain information on the actual nickel, chromium, and molybdenum content for each sale of the SSWR made during the POI. The Department, upon consideration of the comments from all parties on this matter, issued a memorandum on December 18, 1997, indicating its decision to make no changes in the model matching criteria specified in the September 19, 1997, questionnaire (*see* Memorandum from Team to Holly Kuga, Office Director, dated December 18, 1997).

Also, in October 1997, the Department received responses to Section A of the questionnaire from Dongbang and Changwon (hereinafter ''the respondents''). The respondents submitted responses to sections B and C of the questionnaire in November 1997. Sammi failed to respond to the Department's request for information (*see* the ''Facts Available'' section of this notice, below).

In November 1997, the petitioners submitted a timely allegation pursuant to section 773(b) of the Act that Dongbang and Changwon had made sales in the home market below the cost of production (COP). Based on our analysis of this allegation, in December 1997 we initiated a COP investigation with respect to these respondents and informed the companies that they were required to complete Section D of the questionnaire.

On December 11, 1997, pursuant to section 733(c)(1)(A) of the Act, the petitioners made a timely request to postpone the preliminary determination. We granted this request and, on December 16, 1997, we postponed the preliminary determination until no later than February 25, 1998 (62 FR 66849, December 22, 1997).

We issued supplemental sections A, B, and C questionnaires to Changwon and Dongbang in December 1997 and received responses to these questionnaires in January 1998. We also received a response to Section D of the questionnaire from the respondents in January 1998. We issued a supplemental questionnaire to POSCO in December 1997 and requested that it complete section B of the questionnaire. We received POSCO's response to this questionnaire in January 1998. We issued supplemental section D questionnaires to Changwon and Dongbang on February 11, 1998. Complete responses to these questionnaires are not due until March 4, 1998 and, therefore, could not be considered in this preliminary determination.

The petitioners submitted comments on February 6, 1998, February 11, 1998, and February 12, 1998, regarding issues they considered relevant to the preliminary determination. On February 17 and 18, 1998, Dongbang and Changwon, respectively, submitted responses to the petitioners' comments.

Postponement of Final Determination and Extension of Provisional Measures

On February 19, 1998, Changwon and Dongbang requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until no later than 135 days after the publication of this notice in the **Federal Register** pursuant to section 735(a)(2)(A) of the Act. Changwon and Dongbang also requested that the Department extend the provisional measures of sections 733(d)(1) and (2) of the Act from a four-month period to not more than six months, in accordance with section 733(d) of the Act. In accordance with 19 CFR 351.210(b)(2), because (1) our preliminary determination is affirmative, (2) Changwon and Dongbang account for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the respondent's request and are postponing the final determination until

no later than 135 days after the publication of this notice in the **Federal Register**. Suspension of liquidation will be extended accordingly. *See Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Open-End Spun Rayon Singles Yarn From Austria,* 62 FR 14399, 14400 (March 26, 1997); *see also Final Determination of Sales at Less Than Fair Value: Certain Pasta From Italy,* 61 FR 30326 (June 14, 1996).

Scope of Investigation

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

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

SF20T			
Carbon	0.05 max	Chromium	19.00/21.00
Manganese	2.00 max	Molybdenum	1.50/2.50
Phosphorous	0.05 max	Lead	added (0.10/0.30)
Sulfur	0.15 max	Tellurium	added (0.03 min)
Silicon	1.00 max		

K–M35FL			
Carbon	0.015 max	Nickel	0.30 max
Silicon	0.70/1.00	Chromium	12.50/14.00
Manganese	0.40 max	Lead	0.10/0.30
Phosphorous	0.04 max	Aluminum	0.20/0.35
Sulfur	0.03 max		

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

Period of Investigation

The POI is July 1, 1996, through June 30, 1997.

Facts Available

On September 19, 1997, we sent a questionnaire to Sammi, a Korean SSWR producer/exporter which allegedly underwent bankruptcy in 1997. Sammi never responded to our original questionnaire nor at any time filed an extension request. On October 24, 1997, we received a faxed confirmation from the commercial courier that the questionnaire was delivered to and signed for by personnel at Sammi. Therefore, on October 31, 1997, the Department sent a letter to Sammi alerting it to the fact that it had missed its deadlines for responding to the Department's information request, and that the Department would have to use adverse facts available as required under the antidumping statute in making its determinations. We have received no correspondence from Sammi to date.

Section 776(a)(2) of the Act provides that, if an interested party (1) Withholds information that has been requested by the Department, (2) fails to provide such information in a timely manner or in the form or manner requested, (3) significantly impedes a determination under the antidumping statute, or (4) provides such information but the information cannot be verified, the Department shall, subject to subsections 782(c)(1) and (e) of the Act, use facts otherwise available in reaching the applicable determination. Subsections (c)(1) and (e) do not apply to situations where a party provides no responses whatsoever to our correspondence. Therefore, these subsections do not apply with respect to this company. Because Sammi failed to respond to our questionnaire in a timely manner, we must use facts otherwise available to calculate Sammi's dumping margin.

Section 776(b) of the Act provides that adverse inferences may be used when a party has failed to cooperate by not acting to the best of its ability to comply with requests for information. *See also* Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, 103d Cong., 2d Sess. 870 (SAA). Sammi's failure to reply to the Department's questionnaire or to provide a satisfactory explanation of its conduct demonstrates it has failed to act to the best of its ability in this investigation. Thus, the Department has determined that, in selecting among the facts otherwise available for Sammi, an adverse inference is warranted.

In accordance with our standard practice, we determine the margin used as adverse facts available by selecting the higher of (1) the highest margin stated in the notice of initiation, or (2) the highest margin calculated for any respondent.

Section 776(c) of the Act provides that, when the Department relies on secondary information (such as the petition) in using the facts otherwise available, it must, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. In this case, when analyzing the petition for purposes of the initiation, the Department reviewed all of the data upon which the petitioners relied in calculating the estimated dumping margins and determined that the margins in the petition were appropriately calculated and supported by adequate evidence in accordance

with the statutory requirements for initiation.

However, for purposes of corroboration with regard to facts available, the Department re-examined the price information provided in the petition in light of information developed during the investigation. Sales by POSCO during the fourth quarter of 1996 were the basis for the margins contained in the petition. We contacted the U.S. Customs Service, seeking information to determine whether there had been any entries during that period. According to Customs, their records indicated that POSCO did not make any shipments during the fourth quarter 1996. Therefore, we reviewed the general Import Statistics for the USHTS categories corresponding to the scope of this investigation during the fourth quarter 1996.

The U.S. gross prices provided in the petition are corroborated by the average fourth quarter U.S. dollar import value per metric ton obtained from the Import Statistics. Furthermore, we have corroborated the home market gross prices contained in the petition with the fourth quarter 1996 home market prices provided by POSCO in its home market sales listing. Therefore, although the record indicates that POSCO made no shipments to the United States during the POI, we have been able to corroborate the price information contained in petition, in accordance with Section 776(c) of the Act, using information from independent sources that were reasonably at our disposal. As a result we have assigned Sammi the highest rate contained in the petition, 28.44 percent, for purposes of the preliminary determination.

Affiliation Among the Respondents

One of the issues in this case is whether POSCO and its wholly owned subsidiary Changwon are affiliated with Dongbang. Interested parties made several submissions to the Department on this topic in November and December 1997. The petitioners argue generally that POSCO controls Dongbang through a variety of non-equity factors and is thereby affiliated with Dongbang pursuant to section 771(33)(G) of the Act. Petitioners also contend that Dongbang and Changwon are affiliated by virtue of the fact that they are under POSCO's common control pursuant to section 771(33)(F) of the Act. Based on this reasoning, they conclude that these producers should be collapsed for purposes of the Department's margin calculation primarily because they believe that the production facilities are similar and that there is a significant potential for manipulation of price or production. The respondents disagree, asserting that the facts of record do not indicate that POSCO and Dongbang and, thus, Dongbang and Changwon are affiliated; therefore, the respondents maintain that the circumstances under which the Department would consider collapsing the entities are not present in this case. In order to analyze the issue and understand the relationships between POSCO, Changwon, and Dongbang more fully, we requested that all three entities respond to supplemental questions on this topic. The parties responded to these questions on January 16, 1998.

Our preliminary analysis of the facts of record within the context of the control indicia enumerated in section 351.102(b) of our regulations does not suggest that POSCO controls Dongbang such that Dongbang is affiliated with Changwon based on POSCO's common control of both entities. Consequently, the issue of collapsing all three producers into one entity for purposes of our preliminary margin analysis is moot. However, we will examine this affiliation issue more closely at verification, with respect to close supply factors in particular, and revisit the issue if necessary for purposes of the final determination. For further discussion, see the Decision Memorandum from the Team to Richard Moreland regarding ''Whether Pohang Iron and Steel Co., Ltd. (POSCO), and its subsidiary Changwon Specialty Steel Co., Ltd. (Changwon), are affiliated with Dongbang Special Steel Co., Ltd. (Dongbang). Whether to collapse the above-mentioned entities for antidumping analysis purposes,'' dated February 25, 1998 (''Affiliation Decision Memorandum'').

Regarding POSCO and Changwon, given the nature of the affiliation between these two companies (*i.e.*, POSCO owns 100 percent of Changwon, there is significant overlap in the production equipment and processes, and there exists significant potential for price and cost manipulation), we have collapsed POSCO and Changwon as affiliated producers in accordance with § 351.401(f) of our regulations and have assigned to them a single dumping margin as indicated in the ''Suspension of Liquidation'' section of this notice. However, we have not used POSCO's home market sales of non-finished SSWR (*i.e.*, black coil) for purposes of comparing them to Changwon's U.S. sales of finished SSWR because the POSCO products have not been further processed and, therefore, are not as comparable to the U.S. sales as are Changwon's home market sales of finished SSWR products. For further discussion, see Affiliation Decision Memorandum.

Fair Value Comparisons

To determine whether sales of SSWR from Korea to the United States were made at less than fair value, we compared the Export Price (EP) to the Normal Value (NV), as described in the ''Export Price'' and ''Normal Value'' sections of this notice, below. As discussed in the ''Export Price'' and ''Normal Value'' sections of this notice, neither respondent made Constructed Export Price (CEP) sales to the United States. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs for comparison to weighted-average NVs.

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX* v. *United States*, 1998 WL 3626 (Fed Cir.). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using constructed value (CV) as the basis for foreign market value when the Department finds home market sales to be outside the ''ordinary course of trade.'' This issue was not raised by any party in this proceeding. However, the URAA amended the definition of sales outside the ''ordinary course of trade'' to include sales below cost. *See* Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the ''ordinary course of trade.'' Instead, the Department will use sales of similar merchandise, if such sales exist. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison. Therefore, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the ''Scope of Investigation'' section of this notice, above, that were in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics listed

in Sections B and C of our antidumping questionnaire. We have implemented the Court's decision in this case, to the extent that the data on the record permitted.

With respect to the characteristics used to make product comparisons, the Department's questionnaire instructed the respondents to report the grades of the SSWR products they sold during the POI in accordance with AISI standards. Changwon and Dongbang argued that it was more accurate and efficient to report their home market and U.S. sales based on internal grade codes because, among other factors, the respondents' sales, production, and accounting systems are maintained by its ''internal'' grade codes. Moreover, the respondents maintained that their customers do not order by the AISI grade but, rather, by one of the various international grades or ''internal'' grade codes. Additionally, Dongbang asserted that there are price and cost differences between each of the ''internal'' grade codes. Changwon stated that its grade codes do not overlap precisely with the AISI grades but instead overlap with multiple AISI grades. The petitioners argued that the respondents should not make changes to the product characteristics once the Department had established such characteristics because it could (a) seriously jeopardize the accuracy of the Department's SSWR investigations, (b) extraordinarily complicate the investigations, and (c) permit substantial manipulation of model matches.

It is not the Department's normal practice to allow companies to change the criteria to be used for model match purposes based on their own internal product coding system once such criteria have been established. Any such deviation leads to the possibility that the margins calculated for each company under investigation could be based on completely different product grouping criteria. In addition, allowing companies to deviate from the criteria may permit manipulation of model matches, not only for the investigation, but also in future reviews, in the event this investigation results in an antidumping duty order.

Furthermore, contrary to Dongbang's argument, there is no compelling evidence on the record that the net prices and costs of Dongbang's internal grade codes vary significantly from one another within a given AISI category (see Concurrence Memorandum dated February 25, 1998 (Concurrence Memorandum)).

Therefore, in instances where a respondent has reported a non-AISI grade (or an internal grade code) for a product that falls within the chemical content range of an AISI category, we have attempted to use the actual AISI grade rather than the non-AISI grades reported by the respondent for purposes of our preliminary analysis. In instances where the chemical content ranges of the reported non-AISI grade (or internal grade code) are outside the parameters of an AISI grade, we have preliminarily used the grade code reported by the respondents for purposes of our analysis.

With respect to Changwon, even though we were able to identify AISI grades for a number of non-AISI products using the methodology described above, we were unable to consolidate the sales and cost databases on the basis of this AISI grade reclassification, given the lack of information on the record that would enable us to link the two databases by AISI grade. Therefore, for purposes of the preliminary determination, we used the ''internal'' grades reported by Changwon.

For further discussion of this issue, see the Concurrence Memorandum. We intend to examine this issue further for the final determination.

With respect to home market sales of non-prime merchandise made by Dongbang during the POI, we excluded these sales from our preliminary analysis based on the limited quantity of such sales in the home market and the fact that no such sales were made to the United States during the POI, in accordance with our past practice. *See, e.g., Final Determinations of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, Certain Corrosion-Resistant Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate from Korea*, 58 FR 37176, 37180 (July 9, 1993).

Level of Trade

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

To determine whether NV sales are at a different level of trade than EP or CEP, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP offset provision). *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

Changwon and Dongbang only made EP sales during the POI and neither respondent claimed a LOT adjustment. Nevertheless, we evaluated whether such an adjustment was necessary by examining each respondent's distribution system, including selling functions, classes of customers, and selling expenses. We found that the selling functions performed by each respondent, which included sales administration, billing, and warranties, where applicable, are sufficiently similar in the United States and the home market to consider them as constituting the same LOT in the two markets. Accordingly, all comparisons are at the same LOT and an adjustment pursuant to section 773(a)(7)(A) of the Act is not warranted.

Export Price

For both of the respondents, we used EP methodology, in accordance with section 772(a) of the Act, because the subject merchandise was sold directly to the first unaffiliated purchaser in the United States prior to importation and because CEP methodology was not otherwise indicated.

We made company-specific adjustments as follows:

A. Dongbang

We calculated EP based on packed, delivered prices to unaffiliated purchasers in the United States. We increased the starting price by the amount of duty drawback reported by Dongbang. We made deductions from the starting price, where appropriate, for foreign inland freight, foreign brokerage and handling, other transportation expenses (*i.e.*, container tax, wharfage,

document fees, and CFS charges), and international freight pursuant to section 772(c)(2)(A) of the Act.

B. Changwon

We calculated EP based on packed prices to unaffiliated purchasers in the United States. We increased starting price by the amount of duty drawback reported by Changwon.

We made deductions from the starting price, where appropriate, for foreign inland freight, foreign brokerage and handling expenses, other transportation expenses (*i.e.,* ocean freight and terminal charge, formal entry charge, ABI filing fee, and devanning cost), international freight, marine insurance, U.S. Customs duties, and U.S. inland freight, pursuant to section 772(c)(2)(A) of the Act.

Normal Value

After testing home market viability, whether sales to affiliates were at arm's-length prices, and whether home market sales were at below-cost prices, we calculated NV as noted in the ''Price-to-Price Comparisons'' and ''Price-to-CV Comparisons'' sections of this notice.

1. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.,* the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondents' volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Because the respondents' aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales for the subject merchandise, we determined that the home market was viable for the respondents.

2. Affiliated-Party Transactions and Arm's-Length Test

We excluded sales to affiliated customers in the home market not made at arm's-length prices by Dongbang from our analysis because we considered them to be outside the ordinary course of trade. *See* 19 CFR 351.102. To test whether these sales were made at arm's-length prices, we compared, on a model-specific basis, starting prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, and packing, but inclusive of duty drawback, freight revenue and interest revenue, where applicable. Where, for the tested models of subject merchandise, prices to the affiliated party were on average 99.5 percent or more of the price to the unaffiliated parties, we determined that sales made to the affiliated party were at arm's length. *See* 19 CFR 351.403(c) and 62 FR at 27355 (preamble to the Department's regulations). In instances where no customer price ratio could be constructed for an affiliated customer because identical merchandise was not sold to unaffiliated customers, we were unable to determine that these sales were made at arm's-length prices and, therefore, excluded them from our LTFV analysis. *See Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products from Argentina*, 58 FR 37062, 37077 (July 9, 1993). Where the exclusion of such sales eliminated all sales of the most appropriate comparison product, we made a comparison to the next most similar home market model.

3. Cost-of-Production Analysis

Based on the cost allegation submitted by the petitioners, the Department found reasonable grounds to believe or suspect that Dongbang and Changwon had made sales in the home market at prices below the cost of producing the merchandise, in accordance with section 773(b)(1) of the Act. As a result, the Department initiated an investigation to determine whether Dongbang and/or Changwon made home market sales during the POI at prices below their respective COPs within the meaning of section 773(b) of the Act. *See* Memorandum from the Team to Holly Kuga, dated December 24, 1997. Before making any fair value comparisons, we conducted the COP analysis described below.

a. Calculation of COP

We calculated the COP based on the sum of each respondents' cost of materials and fabrication for the foreign like product, plus amounts for home market SG&A expenses and packing costs in accordance with section 773(b)(3) of the Act. We made company-specific adjustments to the reported COP as follows:

1. *Changwon:* We adjusted Changwon's reported general and administrative (G&A) expenses by excluding miscellaneous income and including foreign currency exchange losses and the amortization of foundation and business starting expenses. In addition, we adjusted Changwon's financing expense calculation to include foreign currency exchange losses and to correct the amount of interest income used as an offset. See Memorandum to Irene Darzenta from Howard Smith, dated February 25, 1998.

2. *Dongbang:* We adjusted Dongbang's G&A expenses by excluding miscellaneous income and bad debt expense and by including foreign currency exchange losses. In addition, because Dongbang did not report interest expense in accordance with our preferred methodology, we recalculated the reported interest expense rate accordingly. See Memorandum to Irene Darzenta from Howard Smith, dated February 25, 1998.

b. Test of Home Market Prices

We used each respondent's submitted POI weighted-average COPs, as adjusted (see above). We compared the weighted-average COP figures to home market sales of the foreign like product as required under section 773(b) of the Act. In determining whether to disregard home market sales made at prices below the COP, we examined whether (1) within an extended period of time, such sales were made in substantial quantities, and (2) whether such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. On a product-specific basis, we compared the COP (net of selling expenses and packing) to the home market prices, inclusive of duty drawback, less any applicable movement charges, direct and indirect selling expenses, and packing.

c. Results of the COP Test

Pursuant to 773(b)(2)(C), where less than 20 percent of the respondent's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in ''substantial quantities.'' Where 20 percent or more of the respondent's sales of a given product during the POI were at prices less than the COP, we determined such sales to have been made in ''substantial quantities'' within an extended period of time in accordance with section 773(b)(2)(B) of the Act. In such cases, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act. Therefore, we disregarded the below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product.

We found that, for certain models of SSWR, more than 20 percent of Dongbang's and Changwon's home market sales within an extended period

of time were at prices less than the COP. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1). For those U.S. sales of SSWR for which there were no comparable home market sales in the ordinary course of trade, we compared EPs to CV in accordance with section 773(a)(4) of the Act.

d. Calculation of CV

In accordance with section 773(e) of the Act, we calculated CV based on the sum of the respondent's cost of materials, fabrication, G&A, U.S. packing costs, direct and indirect selling expenses, interest expenses, and profit. As noted above, we adjusted Changwon's COP by recalculating G&A and financing expenses. We also adjusted Dongbang's G&A and financing expense.

In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by the respondents in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in Korea.

Price-to-Price Comparisons

1. Changwon

We based NV on packed prices to unaffiliated home market customers. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(c), we made circumstance-of-sale adjustments, where appropriate, for differences in warranties, bank charges, and credit expenses offset by interest revenue.

We deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6) of the Act. Where appropriate, we made adjustments to NV to account for differences in physical characteristics of the merchandise, in accordance with 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411.

2. Dongbang

We based NV on packed, delivered prices to home market unaffiliated customers and prices to affiliated customers that we determined to be at arm's length. We added freight revenue and duty drawback, where applicable. We made deductions for foreign inland freight, where appropriate, pursuant to section 773(a)(6)(B) of the Act. Pursuant to section 773 (a)(6)(C)(iii) of the Act and 19 CFR 351.410(c), we made circumstance-of-sale adjustments, where appropriate, for differences in credit expenses, bank charges, interest revenue, and warranties.

We deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6) of the Act. Where appropriate, we made adjustments to NV to account for differences in physical characteristics of the merchandise, in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411.

Price-to-CV Comparisons

For price-to-CV comparisons, we made adjustments to CV in accordance with section 773(a)(8) of the Act. Where CV was compared to EP, we deducted from CV the weighted-average home market direct selling expenses and added the weighted-average U.S. product-specific direct selling expenses in accordance with section 773(a)(6)(C)(iii) of the Act.

Currency Conversion

We made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Section 773A(a) directs the Department to use a daily exchange rate in order to convert foreign currencies into U.S. dollars unless the daily rate involves a fluctuation. It is the Department's practice to find that a fluctuation exists when the daily exchange rate differs from the benchmark rate by 2.25 percent. The benchmark is defined as the moving average of rates for the past 40 business days. When we determine a fluctuation to have existed, we substitute the benchmark rate for the daily rate, in accordance with established practice. Further, section 773A(b) directs the Department to allow a 60-day adjustment period when a currency has undergone a sustained movement. A sustained movement has occurred when the weekly average of actual daily rates exceeds the weekly average of benchmark rates by more than five percent for eight consecutive weeks. (For an explanation of this method, see *Policy Bulletin 96–1: Currency Conversions* (61 FR 9434, March 8, 1996)). Such an adjustment period is required only when a foreign currency is appreciating against the U.S. dollar. The use of an adjustment period was not warranted in this case because the Korean won did not undergo a sustained movement during the POI.

Verification

As provided in section 782(i) of the Act, we will verify all information determined to be acceptable for use in making our final determination.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing Customs to suspend liquidation of all imports of subject merchandise that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct Customs to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the NV exceeds the EP, as indicated in the chart below. These suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Dongbang Special Steel Co., Ltd	5.96
Changwon Specialty Steel Co., Ltd./Pohang Iron and Steel Co., Ltd	6.09
Sammi Steel Co., Ltd	28.44
All Others	5.97

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. If our final determination is affirmative, the ITC will determine before the later of 120 days after the date of this preliminary determination or 45 days after our final determination whether these imports are materially injuring, or threaten material injury to, the U.S. industry.

Public Comment

Case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary for Import Administration no later than May 22, 1998, and rebuttal briefs no later than May 29, 1998. A list of authorities used and an executive summary of issues must accompany any briefs submitted to the Department. Such summary should be limited to five pages total, including footnotes. In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held on June 2, 1998, time and room to be determined, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days of the publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. If this investigation proceeds normally, we will make our final determination by no later than 135 days after the publication of this notice in the **Federal Register**.

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

Dated: February 25, 1998.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 98–5597 Filed 3–4–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–475–820]

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

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

EFFECTIVE DATE: March 5, 1998.

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

The Applicable Statute

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

Preliminary Determination

We preliminarily determine that stainless steel wire rod (SSWR) from Italy is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Act. The estimated margins of sales at LTFV are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

Since the initiation of this investigation (*Notice of Initiation of Antidumping Investigations: Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan*, 62 FR 45224 (August 26, 1997)), the following events have occurred:

During August and September 1997, the Department obtained information from the U.S. Embassy in Italy identifying potential producers and/or exporters of the subject merchandise to the United States. Based on this information, in September 1997, the Department issued antidumping questionnaires to the following companies: Acciaierie Valbruna S.r.l. (including its subsidiary Acciaierie di Bolzano SpA) (collectively ''Valbruna''), Cogne Acciai Speciali S.r.l. (CAS), and Rodacciai SpA (Rodacciai).

Also in September 1997, the United States International Trade Commission (ITC) issued an affirmative preliminary injury determination in this case (*see* ITC Investigation No. 731–TA–770).

In October 1997, the Department received responses to Section A of the questionnaire from CAS, Rodacciai, and Valbruna. In its response, Rodacciai requested that it not be required to complete the remainder of the questionnaire because it sold only a small volume of SSWR to the United States during the period of investigation (POI). Based on this claim and because the petitioners did not object, we instructed this company that it did not have to respond to the remainder of the questionnaire, in accordance with 19 CFR 351.204(c).

In November 1997, CAS and Valbruna (hereinafter ''the respondents'') submitted responses to sections B and C of the questionnaire.

On December 4, 1997, the petitioners submitted a timely allegation pursuant to section 773(b) of the Act that CAS had made sales in the home market at prices below the cost of production (COP). Based on our analysis of this allegation, we initiated a COP investigation with respect to CAS and informed this company that it needed to complete section D of the questionnaire.

On December 11, 1997, pursuant to section 733(c)(1)(A) of the Act, the petitioners made a timely request to postpone the preliminary determination. On December 16, 1997, we granted this request and postponed the preliminary determination until no later than February 25, 1998 (62 FR 66849, Dec. 22, 1997).

We issued supplemental questionnaires to the respondents in December 1997 and received responses to these questionnaires in January 1998. We also received a response to section D of the questionnaire from CAS in January 1998.

Pursuant to section 735(a)(2)(A) of the Act, on February 11 and 12, 1998, the respondents requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until no later than 135 days after the publication of this notice in the **Federal Register** and extend the provisional measures pursuant to section 733(d) of the Act from four months to not more than six months. For further discussion, see the ''Postponement of Final Determination and Extension of Provisional Measures'' section of this notice.

In February 1998, we issued additional supplemental sales questionnaires to both respondents and a supplemental cost questionnaire to CAS. Also in February 1998, both respondents submitted revised sales listings which contained data that they corrected for minor input errors. Although this data was received too late for use in the preliminary determination, we will consider it for purposes of the final determination.

Postponement of Final Determination and Extension of Provisional Measures

On February 11 and 12, 1998, the respondents requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until no later than 135 days after the publication of this notice in the **Federal Register**, pursuant to section 735(a)(2)(A) of the Act. The respondents also requested that the Department extend the provisional measures pursuant to section 733(d) of the Act from four months to not more than six months. In accordance with 19 CFR 351.210(e), because: (1) Our preliminary determination is affirmative; (2) The respondents account for a significant proportion of exports of the subject merchandise; (3) No compelling reasons for denial exist; and (4) Respondents have requested an extension of provisional measures, we are granting this request and are postponing the final determination until no later than 135 days after the publication of this notice in the **Federal Register**. Suspension of liquidation will be extended accordingly.