

constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.* Based upon the petition for the representative foreign like products to its adjusted costs of production, in accordance with section 773(b)(2)(A)(i) of the Act, we find the existence of "reasonable grounds to believe or suspect" that sales of these foreign like products in Taiwan were made below their respective COP's. Accordingly, the Department is initiating the requested country-wide cost investigation.

#### *Initiation of Antidumping Investigation*

We have examined the petition on DRAMs from Taiwan and have found that it meets the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair value. Therefore, we are initiating an antidumping duty investigation to determine whether imports of DRAMs from Taiwan are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determination by April 1, 1999.

#### *Distribution of Copies of the Petition*

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the authorities of Taiwan. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition (as appropriate).

#### *ITC Notification*

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

#### *Preliminary Determination by the ITC*

The ITC will determine by December 7, 1998, whether there is a reasonable indication that imports of DRAMs from Taiwan are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination in the investigation will result in this investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 771 (i) of the Act.

Dated: November 12, 1998.

**Robert S. LaRussa,**

*Assistant Secretary for Import Administration.*

[FR Doc. 98-30855 Filed 11-17-98; 8:45 am]

BILLING CODE 3510-DS-P

## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-122-814]

#### **Pure Magnesium From Canada; Notice of Extension of Time Limit for Administrative Review**

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

**ACTION:** Notice of extension of time limit.

**SUMMARY:** The Department of Commerce is extending the time limit for the final results of the fifth review of the antidumping duty order on pure magnesium from Canada. The period of review is August 1, 1996 through July 31, 1997. This extension is made pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act.

**EFFECTIVE DATE:** November 18, 1998.

**FOR FURTHER INFORMATION CONTACT:** Zak Smith, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington DC 20230; telephone (202) 482-0189.

**SUPPLEMENTARY INFORMATION:** Because it is not practicable to complete this review within the time limit mandated by section 751(a)(3)(A) of the Tariff Act of 1930, as amended (*i.e.*, November 9, 1998), the Department of Commerce ("the Department") is extending the time limit for completion of the final results to not later than March 8, 1999. See November 2, 1998 Memorandum from Deputy Assistant Secretary for AD/CVD Enforcement Richard W. Moreland to Assistant Secretary for Import Administration Robert LaRussa on file in the public file of the Central Records Unit, B-099 of the Department.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675 (a)(1)) and 19 CFR 351.213(h)(2).

Dated: November 4, 1998.

**Susan Kuhbach,**

*Acting Deputy Assistant Secretary for AD/CVD Enforcement.*

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-122-829, A-533-814, A-588-844, A-580-830, A-469-808, A-583-829]

#### **Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea**

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

**EFFECTIVE DATE:** November 18, 1998.

**FOR FURTHER INFORMATION CONTACT:** Thomas Schauer (Canada, Spain) at (202) 482-4852; Diane Krawczun (India) at (202) 482-0198; Jarrod Goldfeder (Japan), at (202) 482-1784; or Gabriel Adler (the Republic of Korea, Taiwan) at (202) 482-1442, Import Administration, Room 1870, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

#### **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 Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR part 351 (April 1998).

#### **Preliminary Determinations**

We preliminarily determine that stainless steel round wire from Canada, India, Japan, Spain, and Taiwan is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 733 of the Act. We also preliminarily determine that stainless steel round wire from the Republic of Korea (Korea) is not being sold, or is not likely to be sold, in the United States at less than fair value. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

#### *Case History*

These investigations were initiated on May 6, 1998. See *Initiation of Antidumping Duty Investigations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan*, 63 FR 26150

(May 12, 1998) (*Initiation Notice*). Since the initiation of the investigations, the following events have occurred:

On May 19, 1998, the Department invited interested parties to submit comments regarding model matching.

On June 5, 1998, the United States International Trade Commission (the ITC) preliminarily determined that there is a reasonable indication that imports of the products under these investigations are materially injuring the United States industry.

On June 12, 1998, the Department selected the following companies as respondents in these investigations: Central Wire Industries Ltd. (Central Wire) and Greening Donald Co. Ltd. (Greening Donald) in the Canada proceeding; Raajratna Metal Industries Limited (Raajratna) in the India proceeding; Suzuki Metal Industries Co., Ltd. (Suzuki) and Nippon Seisen Co., Ltd. (Nippon Seisen), in the Japan proceeding; Korea Sangsa in the Korea proceeding; Inoxfil S.A. in the Spain proceeding; and Tien Tai and Rodex in the Taiwan proceeding (collectively "respondents"). See *Selection of Respondents*, below. On June 15, 1998, the Department issued an antidumping questionnaire to each of the selected respondents.

The respondents submitted their initial responses to that questionnaire in July and August 1998. After analyzing these responses, we issued supplemental questionnaires to the respondents to clarify or correct the initial questionnaire responses. We also determined to treat Tien Tai and its affiliated producer Kuang Tai Metal Industrial Co., Ltd. (Kuang Tai), as a single entity (*i.e.*, to collapse the two producers) for purposes of the investigation of wire from Taiwan. See Memorandum to Richard W. Moreland, dated August 11, 1998. In addition, we determined to collapse Korea Sangsa with its affiliated producer Korea Welding Electrode Co., Ltd. (Koweld). See Memorandum to Richard W. Moreland, dated September 24, 1998. The Department required that both Tien Tai and Korea Sangsa resubmit their questionnaire responses, consolidating their sales and cost data with that of their respective affiliated parties.<sup>1</sup>

On August 24, 1998, the petitioners filed a timely request for a 50-day postponement of the preliminary determinations. We granted the request. See *Notice of Postponement of Preliminary Antidumping*

*Determinations: Stainless Steel Round Wire from Canada, India, Japan, the Republic of Korea, Spain, and Taiwan*, 63 FR 46999 (September 3, 1998).

#### *Postponement of Final Determinations and Extension of Provisional Measures*

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise or, in the event of a negative preliminary determination, a request for such postponement is made by the petitioners. The Department's regulations, at 19 CFR 351.210(e)(2), require that requests by respondents for postponement of a final determination be accompanied by a request for extension of provisional measures from a four-month period to not more than six months.

We received requests from respondents for postponement of the final determinations in the Canada, India, Japan, Korea, Spain and Taiwan investigations. In their requests for an extension of the deadline for the final determinations, the respondents consented to the extension of provisional measures to no longer than six months. Because the preliminary determinations with respect to the Canada, India, Japan, Spain, and Taiwan investigations are affirmative, the respondents filing the requests account for a significant proportion of exports of the subject merchandise in their respective cases, and there is no compelling reason to deny the respondents' requests, we have extended the deadline for issuance of the final determinations for these cases until the 135th day after the date of publication of these preliminary determinations in the **Federal Register**.

We also received a request from the petitioners for a postponement of the final determination in the Korea investigation. Because the preliminary determination with respect to that investigation is negative and there is no compelling reason to deny the petitioners' request, we have extended the deadline for issuance of the final determination for this case until the 135th day after the date of publication of this preliminary determination in the **Federal Register**.

#### *Period of Investigations*

The period of the investigations (POI) is January 1, 1997 through December 31,

1997. This period corresponds to each respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

#### *Scope of Investigation*

The scope of these investigations covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to these investigations is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 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 merchandise under investigation is dispositive.

On June 1, 1998, two Canadian producers of SSRW, Greening Donald and Central Wire, submitted comments on the scope of the investigation of stainless steel round wire from Canada in response to our solicitation of such comments in the Initiation Notice. These respondents argued in their submission that, because the stainless steel wire rod input used in producing the SSRW is not produced in Canada and because cold-drawing does not constitute "substantial transformation" of the wire rod, the SSRW is not "from Canada" and should not be the subject of an antidumping investigation. On June 5, 1998, the petitioners submitted rebuttal comments to the Canadian producers' argument. We have analyzed the two Canadian producers' comments and concluded that the product in question is within the scope of this investigation. See Memorandum to Richard W. Moreland, dated November 12, 1998, for a full discussion and analysis of this issue.

#### *Selection of Respondents*

Section 777A(c)(1) of the Act directs the Department to calculate individual dumping margins for each known exporter and producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department discretion, when faced with a large number of exporters/producers, to limit its examination to a reasonable number of such companies if it is not

<sup>1</sup> Unless otherwise specified, any references below to Tien Tai or Korea Sangsa should be understood to refer to the collapsed entities of Tien Tai/Kuang Tai and Korea Sangsa/Koweld, respectively.

practicable to examine all companies. Where it is not practicable to examine all known producers/exporters of subject merchandise, this provision permits the Department to investigate either: (1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or (2) exporters and producers accounting for the largest volume of the subject merchandise that can reasonably be examined.

After consideration of the complexities expected to arise in these proceedings (including issues of model matching) and the resources available to the Department, we determined that it was not practicable in these investigations to examine all known producers/exporters of subject merchandise. Instead, we found that, given our resources, we would be able to investigate the nine producers/exporters with the greatest export volume, as identified above. These companies accounted more than 50 percent of all known exports of the subject merchandise during the POI from their respective countries. For a more detailed discussion of respondent selection in these investigations, see Respondent Selection Memorandum dated June 12, 1998.

#### Facts Available

Suzuki (Japan), Nippon Seisen (Japan), and Inoxfil (Spain) failed to respond to our questionnaire. Section 776(a)(2) of the Act provides that, if an interested party (A) withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested subject to section 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding under the antidumping statute; or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination. Because these firms failed to respond to our questionnaire and because the relevant subsections of section 782 of the Act do not apply, we must use facts otherwise available to calculate the dumping margins for these companies.

Section 776(b) of the Act provides that adverse inferences may be used against a party that has failed to cooperate by not acting to the best of its ability to comply with the Department's requests for information. See also Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 316, Vol.1, 103d Cong., 2d Sess. 870

(1994) (SAA). The lack of response by Suzuki, Nippon Seisen, and Inoxfil to the Department's antidumping questionnaire constitutes a failure by these respondents to act to the best of their ability to comply with a request for information, within the meaning of section 776 of the Act. Thus, the Department has determined that, in selecting among the facts otherwise available, an adverse inference is warranted.

Because we were unable to calculate margins for the respondents in the Japan or Spain investigations, we assigned these respondents the highest margins in the respective petitions (recalculated by the Department, as appropriate). This approach is consistent with Department practice. See *Notice of Preliminary Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Germany*, 63 FR 10847 (March 5, 1998). The highest petition margins are 29.56 percent in the Japan investigation, and 35.80 percent in the Spain investigation.<sup>2</sup>

Section 776(b) states that an adverse inference may include reliance on information derived from the petition or any other information placed on the record. See also SAA at 829-831. 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.

During our pre-initiation analysis of the petition, we reviewed the adequacy and accuracy of the secondary information in the petition from which the margins were calculated, to the extent that appropriate information was available for this purpose. See *Initiation Notice* at 26151. However, with respect to certain data included in the margin calculations included in the petition (e.g., gross U.S. and home market unit

<sup>2</sup> We note that, at the time of initiation, we did not accept the U.S. and home market packing data set forth in the petition with respect to the Japan case, and we revised the dumping margins in that petition so as to not reflect any adjustment for packing. In reviewing the petition margin calculations for the preliminary determination in the Japan case, we noted that the denominator for the margins was erroneously based on home market price, rather than U.S. price. We have revised the margins accordingly. See memorandum from Jarrod Goldfeder to the file, dated November 12, 1998.

With respect to the Spain investigation, we note that, at the time of initiation, we revised petition margins based on price-to-price comparisons because the petitioners had not provided sufficient support for the home market freight figures used in their calculations. We made no additional revisions to the petition margins in reviewing those calculations for the preliminary determination in the Spanish case.

prices), the Department was provided no information by the respondents or other interested parties, and is aware of no other independent sources of information, that would enable it to further corroborate the remaining components of the margin calculation in the petition. The implementing regulation to section 776 of the Act, at 19 CFR 351.308(c), states "[t]he fact that corroboration may not be practicable in a given circumstance will not prevent the Secretary from applying an adverse inference as appropriate and using the secondary information in question." Additionally, we note that the SAA at 870 specifically states that, where "corroboration may not be practicable in a given circumstance", the Department may nevertheless apply an adverse inference. We note further that the Department has used as the facts available margins developed in the petition that are based in part on foreign market research in other cases. See, e.g., *Stainless Steel Wire Rod From Germany*, and *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Melamine Institutional Dinnerware Products From Indonesia*, 61 FR 43333 (August 22, 1996). Finally, we note that the margins calculated for respondents in the other round wire investigations are in many instances of the same order of magnitude as the margins in the corresponding petitions, suggesting that the information contained in the round wire petitions is generally reliable.

#### Product Comparisons

We have relied on five criteria to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product: grade, thickness, tensile strength, coating, and surface finish. A detailed description of the matching criteria, as well as our matching methodology, is contained in the Preliminary Determination Memorandum, dated November 12, 1998 (Preliminary Determination Memorandum).

#### Fair Value Comparisons

To determine whether sales of stainless steel round wire from Canada, India, the Republic of Korea, and Taiwan<sup>3</sup> were made in the United States at less than fair value, we compared the export price (EP) or constructed export

<sup>3</sup> As stated above, because the respondents in the Japan and Spain proceedings did not respond to our requests for information, we based the margins for these respondents on total adverse facts available. See *Facts Available* above. Thus, the discussion of price adjustments in this section does not apply to the respondents in those proceedings.

price (CEP) to the normal value, as described in the *Export Price and Constructed Export Price and Normal Value* sections of this notice. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs and CEPs for comparison to weighted-average normal values.

#### *Export Price and Constructed Export Price*

In accordance with section 772 of the Act, we calculated either an EP or a CEP, depending on the nature of each sale. Section 772(a) of the Act defines EP as the price at which the subject merchandise is first sold before the date of importation by the exporter or producer outside the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States. Section 772(b) of the Act defines CEP as the price at which the subject merchandise is first sold in the United States before or after the date of importation, by or for the account of the producer or exporter of the merchandise or by a seller affiliated with the producer or exporter, to an unaffiliated purchaser, as adjusted under sections 772(c) and (d) of the Act.

Consistent with these definitions, we have found that Central Wire, Greening Donald, Raajratna, Korea Sangsa, Rodex, and Tien Tai made EP sales during the POI. These sales are properly classified as EP sales because they were made by the exporter or producer outside the United States to unaffiliated customers in the United States prior to the date of importation.

We also found that Central Wire and Korea Sangsa made CEP sales during the POI because they made sales through an affiliated reseller in the United States after the date of importation.

For all respondents, we calculated EP and CEP, as appropriate, based on packed prices charged to the first unaffiliated customer in the United States. (Where sales were made through consignment sellers, we did not consider the consignment seller to be the customer; rather, the relevant customer was the consignment seller's customer.) For all respondents except Rodex, we based the date of sale on the date of the invoice issued to the U.S. customer. For Rodex, we based the date of sale on the date of Rodex's sales confirmation to its U.S. customer, because the terms of U.S. sales were firmly set on this date.

In accordance with section 772(c)(2) of the Act, we reduced the EP and CEP by movement expenses and export taxes and duties, where appropriate. Section 772(d)(1) of the Act provides for

additional adjustments to the CEP. Generally, where sales were made through an unaffiliated consignment seller for the account of the exporter, we deducted the commissions from the CEP. Where sales were made through an affiliated reseller, we deducted direct and indirect selling expenses that related to commercial activity in the United States, *in lieu* of the commission paid to the affiliated reseller.

Section 772(d)(3) of the Act requires that the CEP be adjusted for the profit allocated to the selling expenses of a producer/exporter's affiliated reseller. For Central Wire and Korea Sangsa, which made sales through affiliated resellers, we calculated a CEP-profit ratio following the methodology set forth in section 772(f) of the Act.

We made company-specific adjustments as follows:

#### Central Wire (Canada)

We based EP and CEP on delivered and FOB prices to unaffiliated customers in the United States. For both EP and CEP sales, we made deductions from the starting price, where appropriate, for movement expenses, including foreign inland freight from the factory to the customer or to the U.S. affiliate, U.S. brokerage and handling fees, and Customs duties. We also made deductions for post-sale price adjustments corresponding to claims and billing errors.

In addition, for CEP sales, we made deductions for U.S. inland freight to the customer, imputed credit, commissions, indirect selling expenses and inventory carrying costs associated with commercial activity in the United States, U.S. repacking costs, and the cost of further processing the merchandise in the United States.

#### Greening Donald (Canada)

We based EP sales on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from factory to the customer, Customs duties, and U.S. brokerage and handling fees. We also increased the starting price by the amount of reported freight revenue.

#### Raajratna (India)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance. Although Raajratna

reported duty drawback for its U.S. sales, we did not make an addition to EP for duty drawback because Raajratna failed to meet our two-pronged test for making such an adjustment.<sup>4</sup> See Raajratna Analysis Memorandum, dated November 12, 1998, for a full discussion of this issue.

#### Korea Sangsa (Korea)

We based EP and CEP on delivered and FOB prices to unaffiliated customers in the United States. For both EP and CEP sales, we made deductions from the starting price, where appropriate, for movement expenses including foreign brokerage and inland freight from the factory to the foreign port, and international freight. We also made adjustments for billing errors and early payment discounts, and we increased the starting price by the amount of duty drawback because it met our two-pronged test described above.

In addition, for CEP sales, we made deductions for U.S. movement expenses, including U.S. inland freight to the customer, U.S. warehousing, U.S. brokerage and handling fees, and Customs duties. We also made deductions for direct and indirect selling expenses associated with commercial activity in the United States, including imputed credit, warranty expenses, miscellaneous other direct selling expenses (such as bank charges), indirect selling expenses, and inventory carrying costs.

#### Rodex (Taiwan)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance. We also increased the starting price by the amount of duty drawback because it met our two-pronged test described above.

<sup>4</sup>Section 772(c)(1)(B) of the Act provides for an upward adjustment to U.S. price for duty drawback on import duties which have been rebated (or which have not been collected) by reason of the exportation of the subject merchandise to the United States. The Department applies a two-pronged test to determine whether a respondent has fulfilled the statutory requirements for a duty drawback adjustment. See *Steel Wire Rope from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 61 FR 55965, 55968 (October 30, 1996). In accordance with this test, the Department grants a duty drawback adjustment if it finds that:

- (1) import duties and rebates are directly linked to and are dependent upon one another, and
- (2) the company claiming the adjustment can demonstrate that there are sufficient imports of raw materials to account for the duty drawback received on exports of the manufactured product.

## Tien Tai (Taiwan)

We based EP on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for movement expenses including foreign inland freight from the factory to the customer, domestic brokerage and handling fees, international freight, and marine insurance.

*Normal Value**A. Selection of Comparison Markets*

Section 773(a)(1) of the Act directs that normal value be based on the price at which the foreign like product is sold in the home market, provided that the merchandise is sold in sufficient quantities (or value, if quantity is inappropriate) and that there is no particular market situation that prevents a proper comparison with the EP or CEP. The statute contemplates that quantities (or value) will normally be considered insufficient if they are less than five percent of the aggregate quantity (or value) of sales of the subject merchandise to the United States.

All respondents had viable home markets of stainless steel round wire, and they reported home market sales data for purposes of the calculation of normal value. Although Raajratna reported its home market sales, it claimed that normal value should be based on third-country sales because, according to Raajratna, the merchandise sold to the United States is more similar to merchandise sold to third countries rather than merchandise sold in the home market. We disagreed with Raajratna because the merchandise sold in the home market provided an adequate basis for comparison, and, as discussed above, the Act directs us to base normal value on home market sales when possible. Therefore, we based normal value for Raajratna on home market sales. See Preliminary Determination Memorandum at 5.

Adjustments we made in deriving the normal values for each company are described in detail in *Calculation of Normal Value Based on Home-Market Prices and Calculation of Normal Value Based on Constructed Value*, below.

*B. Cost of Production Analysis*

Based on allegations contained in the petitions, and in accordance with section 773(b)(2)(A)(i) of the Act, we found reasonable grounds to believe or suspect that sales of stainless steel round wire made in Canada, India, the Republic of Korea, and Taiwan were made at prices below the cost of production (COP). See *Initiation Notice*, 63 FR at 26150, and Memorandum to

Richard Moreland, dated May 6, 1998 (*Initiation Checklist*) at 7-14. As a result, the Department has conducted investigations to determine whether the respondents made sales in their respective home markets at prices below their respective COPs during the POI within the meaning of section 773(b) of the Act. We conducted the COP analysis described below.

## 1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP for stainless steel round wire, based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for the home-market general and administrative (G&A) expenses and packing costs. We relied on the COP data submitted by each respondent in its cost questionnaire response, except, as discussed below, in specific instances where the submitted costs were not appropriately quantified or valued.

## Greening Donald

We disallowed certain offsets Greening Donald had made to its reported variable overhead expenses. We revised Greening Donald's fixed overhead expense to be on the same basis as its reported direct materials and variable overhead expenses. See Greening Donald Preliminary Determination Analysis Memorandum, dated November 12, 1998, for a more complete description of these changes.

## Korea Sangsa

We revised the reported G&A by excluding dividend income, rental income, other miscellaneous income, and certain foreign exchange gains and losses. We also revised the reported net financing expense ratio to include net foreign exchange losses related to cash and borrowing.

## Rodex

We increased Rodex's reported direct material costs (which are comprised exclusively of purchases of wire rod) to account for net foreign exchange losses during the POI. We made two adjustments to overhead costs: we increased Rodex's reported direct labor and fixed and variable overhead costs to account for a year-end auditor's adjustment, and we reclassified certain costs reported as variable overhead to fixed overhead, consistent with our examination of these costs at verification. We also increased the average per-kg. packing cost to account for an overstatement in the denominator (total weight of packed merchandise) used in the calculation of those costs.

## Tien Tai

During the POI, respondent Kuang Tai (the collapsed affiliate of Tien Tai) became affiliated by virtue of stock ownership with a supplier of a major input in the production of round wire (*i.e.*, wire rod). In calculating cost of production, the respondent relied on the transfer price of the major input for all POI purchases. For purchases of wire rod from this supplier after the date on which Kuang Tai became an affiliate, we applied the major-input rule set forth in section 773(f)(3) of the Act and 19 CFR 351.407(b), and we relied on the greater of cost of production, transfer price, or market value.

In addition, we increased Tien Tai's reported G&A ratio to account for stock bonuses to employees.

## 2. Test of Home-Market Sales Prices

We compared the adjusted weighted-average COP for each respondent to the home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether these sales had been made at prices below the COP within an extended period of time (*i.e.*, a period of one year) in substantial quantities<sup>5</sup> and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time.

On a model-specific basis, we compared the revised COP to the home market prices, less any applicable movement charges, taxes, rebates, commissions and other direct and indirect selling expenses.

## 3. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a 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 a 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) or 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.

<sup>5</sup>In accordance with section 773(b)(2)(C)(i) of the Act, we determined that sales made below the COP were made in substantial quantities if the volume of such sales represented 20 percent or more of the volume of sales under consideration for the determination of normal value.

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 SSRW, more than 20 percent of the home-market sales of Central Wire, Greening Donald, Raajratna, Korea Sangsa, Tien Tai, and Rodex were made within an extended period of time 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) of the Act. For those U.S. sales of SSRW for which there were no comparable home-market sales in the ordinary course of trade, we compared EPs or CEPs to CV in accordance with section 773(a)(4) of the Act. See *Calculation of Normal Value Based on Constructed Value*, below.

#### C. Calculation of Normal Value Based on Home-Market Prices

We performed price-to-price comparisons where there were sales of comparable merchandise in the home market that did not fail the cost test.

##### Central Wire

We calculated normal value based on delivered or FOB prices and made deductions from the starting price, where appropriate, for movement expenses including inland freight and insurance. We also adjusted the starting price for claims and billing errors. In addition, we made circumstance-of-sale (COS) adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Central Wire claimed that a number of its sales were outside the ordinary course of trade and therefore not an appropriate basis for normal value. We examined Central Wire's claims and agreed that some of the home market sales were outside the ordinary course of trade. We therefore excluded these sales from our analysis. A full discussion of this issue requires reference to business-proprietary information; see Central Wire Preliminary Analysis Memorandum, dated November 12, 1998.

As discussed in the *Level of Trade/CEP Offset* section of this notice below, we preliminarily determined that it was appropriate to make a CEP offset to normal value.

In a letter dated October 27, 1998, Central Wire argued that the Department should treat "quantity bands" as a matching criterion and, when comparing sales involving non-identical quantity bands, make a quantity adjustment. This proposal for an entirely new model-match criterion and quantity adjustment came too late in our preparations for these preliminary determinations. We may consider Central Wire's proposal in preparing our final determinations in these investigations.

##### Greening Donald

We calculated normal value based on delivered or FOB prices and made deductions from the starting price, where appropriate, for movement expenses including freight and freight revenue. We also adjusted the starting price for claims and billing errors. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

Greening Donald claimed that a number of its sales were outside the ordinary course of trade and therefore not an appropriate basis for normal value. We examined Greening Donald's claims and agreed that certain home market sales were outside the ordinary course of trade. We therefore excluded these sales from our analysis. A full discussion of this issue requires reference to business-proprietary information; see Greening Donald Preliminary Analysis Memorandum, dated November 12, 1998.

##### Raajratna

We calculated normal value based on delivered, FOB or ex-factory prices and made deductions from the starting price, where appropriate, for inland freight. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These expenses included credit-insurance expenses and imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

##### Korea Sangsa

We calculated normal value based on delivered or FOB prices, and we made deductions from the starting price, where appropriate, for movement expenses including inland freight and insurance. In addition, we made COS adjustments for direct expenses, where

appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included bank charges, processing fees, and imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

As discussed in the *Level of Trade/CEP Offset* section of this notice below, we preliminarily determined that it was appropriate to make a CEP offset to normal value.

##### Rodex

We calculated normal value based on delivered prices. We made deductions from the starting price, where appropriate, for movement expenses including inland freight. We also adjusted the starting price for claims and billing errors. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit, bank charge, and warranty expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

##### Tien Tai

We calculated normal value based on delivered and FOB prices. We made deductions from the starting price, where appropriate, for movement expenses including inland freight and warehousing. We also adjusted the starting price for early payment discounts. In addition, we made COS adjustments for direct expenses, where appropriate, in accordance with section 773(a)(6)(C)(iii) of the Act. These included imputed credit expenses. In accordance with sections 773(a)(6)(A) and (B) of the Act, we deducted home market packing costs and added U.S. packing costs.

#### D. Calculation of Normal Value Based on Constructed Value

Section 773(a)(4) of the Act provides that, where normal value cannot be based on comparison-market sales, normal value may be based on constructed value. Accordingly, for those models of SSRW for which we could not determine the normal value based on comparison-market sales, either because there were no sales of a comparable product or all sales of the comparison products failed the COP test, we based normal value on constructed value.

Section 773(e)(1) of the Act provides that constructed value shall be based on the sum of the cost of materials and fabrication for the imported merchandise plus amounts for selling,

general, and administrative expenses (SG&A), profit, and U.S. packing costs. With the exception of Raajratna, we calculated the cost of materials and fabrication based on the methodology described in the *Calculation of COP* section of this notice, above. We based SG&A and profit for every respondent on the actual amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in the comparison market, in accordance with section 773(e)(2)(A) of the Act.

Raajratna's direct materials costs reported on its constructed-value database did not correspond with its supporting documents included in Raajratna's response. Therefore, we revised Raajratna's reported direct materials costs for constructed value to agree with its supporting documentation. As a result, we also revised the cost of manufacture, general and administrative expenses, and interest expenses accordingly. These revisions are described in further detail in Raajratna's Preliminary Analysis Memorandum, dated November 12, 1998.

In addition, for each respondent we used U.S. packing costs as described in the *Export Price and Constructed Export Price* section of this notice, above.

We made adjustments to constructed value for differences in COS in accordance with section 773(a)(8) of the Act and 19 CFR 351.410. For comparisons to EP, we made COS adjustments by deducting direct selling expenses incurred on home market sales from and adding U.S. direct selling expenses to constructed value. For comparisons to CEP, we made COS adjustments by deducting direct selling expenses incurred on home market sales from constructed value.

#### *Level of Trade/CEP Offset*

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine normal value based on sales in the comparison market at the same level of trade as the EP or CEP transaction. The normal-value level of trade is that of the starting-price sales in the comparison market or, when normal value is based on constructed value, that of the sales from which we derive SG&A expenses and profit. For EP, the U.S. level of trade 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 normal-value sales are at a different level of trade than

EP or CEP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different level of trade and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which normal value is based and comparison-market sales at the level of trade of the export transaction, we make a level-of-trade adjustment under section 773(a)(7)(A) of the Act. For CEP sales, if the normal-value 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 normal value and CEP affects price comparability, we adjust normal value 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).

In implementing these principles in these investigations, we obtained information from each respondent about the marketing stages involved in the reported U.S. and home market sales, including a description of the selling activities performed by the respondents for each channel of distribution. In identifying levels of trade for EP and home market sales we considered the selling functions reflected in the starting price before any adjustments. For CEP sales, we considered only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

With respect to each respondent's EP sales, in these investigations we found a single level of trade in the United States, and a single, identical level of trade in the home market. It was thus unnecessary to make any level-of-trade adjustment for comparison of EP and home market prices. Two respondents, Central Wire and Korea Sangsa, also made CEP sales. For Central Wire, we found that (1) the adjusted CEP level of trade was significantly less advanced than the single home market level of trade, (2) a level-of-trade adjustment could not be quantified, and (3) a CEP offset was appropriate. For Korea Sangsa, we found that the adjusted CEP level of trade was essentially the same as that of the single home market level of trade, such that no level-of-trade adjustment or CEP offset was necessary. For a detailed level-of-trade analysis with respect to each respondent, see Preliminary Determination Memorandum, dated November 12, 1998.

#### *Currency Conversions*

We made currency conversions in accordance with section 773A of the Act. The Department's preferred source for daily exchange rates is the Federal Reserve Bank.

Section 773A(a) of the Act 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 generally substitute the benchmark rate for the daily rate, in accordance with established practice. (An exception to this rule is described below.) Further, section 773A(b) of the Act directs the Department to allow a 60-day adjustment period when a currency has undergone a sustained movement. A sustained movement is deemed to occur 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. Since the Korean won did not appreciate against the U.S. dollar in a sustained manner during the POI, no such adjustment period was required.

Our preliminary analysis of Federal Reserve U.S. dollar-Korean won exchange rate data shows that the won declined rapidly at the end of 1997, losing over 40% of its value between the beginning of November and the end of December. The decline was, in both speed and magnitude, many times more severe than any change in the dollar-won exchange rate during the previous eight years. Had the won rebounded quickly enough to recover all or almost all of the initial loss, the Department might have considered the won's decline at the end of 1997 as nothing more than a sudden but only momentary drop, despite the magnitude of that drop. As it was, however, there was no significant rebound. Therefore, we have preliminarily determined that the decline in the won at the end of 1997 was so precipitous and large that the dollar-won exchange rate cannot reasonably be viewed as having simply fluctuated during this time, *i.e.*, as having experienced only a momentary drop in value. Therefore, in making this

preliminary determination, the Department used daily rates exclusively for currency-conversion purposes for home market sales matched to U.S. sales occurring between November 1, 1997, and December 31, 1997.

The Department welcomes comments from interested parties on all aspects of the above methodology. For the purposes of the final determination, we will also analyze the implications, if any, of the decline in the won during 1997 for price averaging and whether multiple averages are warranted. The Department is also considering this issue in the LTFV investigation on *Mushrooms from Indonesia*. See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Preserved Mushrooms from Indonesia, 63 FR 41783 (August 5, 1998).

#### Verification

In accordance with section 782(i) of the Act, we intend to verify all information relied upon in making our final determinations.<sup>6</sup>

#### Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to suspend liquidation of all entries of stainless steel round wire from Canada, India, Japan, Spain, and Taiwan, except for subject merchandise produced and exported by Tien Tai (which has a *de minimis* weighted-average margin), that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We are also instructing the Customs Service to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP or CEP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice.

The weighted-average dumping margins are provided below. We note that, while the margin for Korea Sangsa is included in this list, that margin is *de minimis*, and we are not suspending liquidation of entries of stainless steel round wire from Korea:

Exporter/Manufacturer	Weighted-average margin percentage
Canada:	
Central Wire .....	11.89
Greening Donald .....	5.30
All Others .....	10.23
India:	
Raajratna .....	18.97
All Others .....	18.97
Japan:	
Nippon Seisen .....	29.56
Suzuki .....	29.56
All Others .....	15.20
Korea:	
Korea Sangsa .....	1.33
All Others .....	0.00
Spain:	
Inoxfil .....	35.80
All Others .....	24.40
Taiwan:	
Rodex .....	3.95
Tien Tai .....	1.83
All Others .....	3.95

<sup>1</sup> De Minimis.

Section 733(b)(3) of the Act directs the Department to exclude all zero and *de minimis* weighted-average dumping margins, as well as dumping margins determined entirely under facts available under section 776 of the Act, from the calculation of the "all others" rate. Accordingly, we have excluded the *de minimis* dumping margin for Tien Tai from the calculation of the "all others" rate for the Taiwan investigation.

Section 735(c)(5)(B) of the Act provides that, where the estimated weighted-average dumping margins established for all exporters and producers individually investigated are zero or *de minimis* margins or are determined entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated all-others rate for exporters and producers not individually investigated. This provision contemplates that we weight-average the facts-available margins to establish the all-others rate. Where the data do not permit weight-averaging of the facts-available rates, the SAA, at 873, provides that we may use other reasonable methods. Inasmuch as we do not have the data necessary to weight-average the respondents' facts-available rates, we have based the all-others rates for Japan and Spain on a simple average of the margins in the respective petitions, as we revised at the time of initiation of these investigations.

#### ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determinations. If our final antidumping determinations are affirmative, the ITC

will determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. The deadline for that ITC determination would be the later of 120 days after the date of these preliminary determinations or 45 days after the date of our final determinations.

#### Public Comment

For all round wire investigations, case briefs must be submitted no later than 110 days after the publication of this notice in the **Federal Register**. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes.

Section 774 of the Act provides that the Department will hold a hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by any interested party. If a request for a hearing is made in an investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. In the event that the Department receives requests for hearings from parties to several round wire cases, the Department may schedule a single hearing to encompass all those cases. 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 within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

If these investigations proceed normally, we will make our final determinations of these investigations no later than 135 days after the date of publication of this notice in the **Federal Register**.

These determinations are published pursuant to sections 733(f) and 777(i)(I) of the Act.

Dated: November 12, 1998.

**Robert S. LaRussa,**

Assistant Secretary for Import Administration.

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<sup>6</sup>We were able to conduct sales and cost verifications of Rodex prior to the issuance of this preliminary determination. Our findings of verification with respect to Rodex are reflected in this determination.