location: Office of the Executive Secretary, Foreign-Trade Zones Board, U.S. Department of Commerce, Room 3716, 14th & Pennsylvania Avenue NW., Washington, DC 20230.

Dated: May 1, 1995.

John J. Da Ponte, Jr.,

Executive Secretary.

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International Trade Administration

[A–570–835]

Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China

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

EFFECTIVE DATE: May 8, 1995.

FOR FURTHER INFORMATION CONTACT: John Brinkmann or Greg Thompson, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–5288 or (202) 482–2336, respectively.

Final Determination

We determine that furfuryl alcohol from the People's Republic of China (PRC) is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the ''Continuation of Suspension of Liquidation'' section of this notice.

Case History

Since the preliminary determination of sales at LTFV on December 9, 1994, (59 FR 65009, December 16, 1994), the following events have occurred:

Verification of the questionnaire responses was conducted in February 1995. Reports concerning these verifications were issued in March 1995.

QO Chemicals, Inc. (the petitioner) as well as Qingdao Chemicals & Medicines & Health Products Import & Export Company (Qingdao) and Sinochem Shandong Import & Export Company (Sinochem Shandong) (together referred to as respondents) submitted case and rebuttal briefs on March 27 and 30, 1995, respectively. A public hearing was held on April 3, 1995. Inasmuch as the submitted briefs contained certain untimely, new information, the Department of Commerce (the Department) issued letters to the petitioner and the respondents concerning the redaction from the record of this new information on April 10, 1994.

Scope of Investigation

The product covered by this investigation is furfuryl alcohol ($C_4H_3OCH_2OH$). Furfuryl alcohol is a primary alcohol, and is colorless or pale yellow in appearance. It is used in the manufacture of resins and as a wetting agent and solvent for coating resins, nitrocellulose, cellulose acetate, and other soluble dyes.

The product subject to this investigation is classifiable under subheading 2932.13.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is December 1, 1993 through May 31, 1994.

Separate Rates

Both of the participating exporters, Qingdao and Sinochem Shandong have requested a separate, company-specific dumping margin. Their respective business licenses indicate that they are owned ''by all the people.'' In the *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585, (May 2, 1994) (*Silicon Carbide*) and the *Final Determination of Sales at Less Than Fair Value: Coumarin from the People's Republic of China*, 59 FR 66895 (December 28, 1994) (*Coumarin*), we found that the PRC central government had devolved control of state-owned enterprises, *i.e.*, enterprises ''owned by all the people.'' As a result, we determined that companies owned ''by all the people'' were eligible for individual rates, if they met the criteria developed in the *Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China* 56 FR 20588 (May 6, 1991) (*Sparklers*) and amplified in *Silicon Carbide*. Under this analysis, the Department assigns a separate rate only when an exporter can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities.

De Jure Analysis [1]

The PRC laws placed on the record of this investigation establish that the responsibility for managing companies owned by ''all the people,'' including the respondent companies, has been transferred from the government to the enterprises themselves. These laws include: ''Law of the People's Republic of China on Industrial Enterprises Owned by the Whole People,'' adopted on April 13, 1988 (1988 Law); ''Regulations for Transformation of Operational Mechanism of State-Owned Industrial Enterprises,'' approved on August 23, 1992 (1992 Regulations); and the ''Temporary Provisions for Administration of Export Commodities,'' approved on December 21, 1992 (1992 Export Provisions). In particular, the 1988 Law states that enterprises have the right to set their own prices (*see* Article 26). This principle was restated in the 1992 Regulations (*see* Article IX).

The 1992 Export Provisions list includes those products subject to direct government control. In April 1994, the ''Emergent Notice of Changes in Issuing Authority for Export Licenses Regarding Public Quota Bidding for Certain Commodities'' (1994 Quota Measure) entered into force, superseding earlier laws that had listed the subject merchandise. Although furfuryl alcohol was on the 1992 version of the Export Provisions list, it has since been removed. (*See* discussion in Comment 1.)

Consistent with *Silicon Carbide*, we determine that the existence of these laws demonstrates that Qingdao and Sinochem Shandong, companies owned by ''all the people,'' are not subject to *de jure* control.

In light of reports [2] indicating that laws shifting control from the government to the enterprises themselves have not been implemented uniformly, our analysis of *de facto* control becomes critical in determining whether respondents are, in fact, subject to governmental control.

De Facto Control Analysis [3]

In the course of verification, we confirmed that export prices for both

[1] Evidence supporting, though not requiring, a finding of *de jure* absence of central control includes: (1) An absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; or (3) any other formal measure by the government decentralizing control of companies.

[2] *See* ''PRC Government Findings on Enterprise Autonomy,'' in Foreign Broadcast Information Service-China-93–133 (July 14, 1993) and 1992 Central Intelligence Agency Report to the Joint Economic Committee, Hearings on Global Economic and Technological Change: Former Soviet Union and Eastern Europe and China, Pt. 2 (102 Cong., 2d Sess.).

[3] The factors considered include: (1) Whether the export prices are set by or subject to the approval of a governmental authority; (2) whether the

Qingdao and Sinochem Shandong are not set by, nor subject to approval of, any government authority. This point was supported by the companies' sales documentation and customer correspondence. We also confirmed, based on examination of documents related to sales negotiations, written agreements and other correspondence, that respondents have the authority to negotiate and sign contracts and other agreements independent of government intervention. Moreover, the respondents' financial statements, accounting records, and bank statements support the conclusion that these companies retain the proceeds of their export sales and finance their losses.

Based on our examination of company records during verification, we have determined that both Qingdao and Sinochem Shandong had autonomy from the central government in making decisions regarding the selection of management. Qingdao's general manager is selected for a three-year term by worker elections. Sinochem Shandong's general manager is selected by worker elections for a term of five years. We found no involvement by any government entity in the selection of management or of hiring for either company. See the verification reports for Qingdao (March 3, 1995) and Sinochem Shandong (March 22, 1995).

Conclusion

For both Sinochem Shandong and Qingdao, the record demonstrates an absence of *de jure* and *de facto* government control. Accordingly, we determine that each of these exporters should receive a separate rate. (For further discussion, *see* Comment 1 below and the concurrence memorandum, dated May 1, 1995, on file in Room B–099 of the main Department of Commerce Building.)

Nonmarket Economy

The PRC has been treated as a nonmarket economy country (NME) in all past antidumping investigations. Given that no information has been provided in this proceeding that would lead us to conclude otherwise, in accordance with section 771(18)(c) of the Act, we continue to treat the PRC as an NME for purposes of this investigation.

Surrogate Country

Section 773(c)(4) of the Act requires the Department to value the NME producers' factors of production, to the extent possible, in one or more market economy countries that are (1) at a level of economic development comparable to that of the NME country, and (2) significant producers of comparable merchandise. As stated in our preliminary determination, the Department has determined that Indonesia is the most suitable surrogate for purposes of this investigation. Based on available statistical information, Indonesia is at a level of economic development comparable to that of the PRC. Further, Indonesian government statistics and other data indicate that the country is a significant producer of furfuryl alcohol. Based on available information, Indonesia is the only surrogate country, of those identified by our Office of Policy, that meets both of these criteria.

For those adjustments to United States price that we have been unable to value using information from Indonesia, we have used India as the surrogate. India is economically comparable to the PRC and is a significant producer of furfuryl, which is comparable to furfuryl alcohol within the meaning of section 773(c)(1). Furfuryl is the feedstock, and the major input, in the production of furfuryl alcohol. (*See* memoranda to the file, dated November 22, 1994 and March 23, 1995, and memorandum from David Mueller, Director, Office of Policy to Gary Taverman, Acting Director, Office of Antidumping Investigations, dated August 2, 1994, furfuryl alcohol from the People's Republic of China, Non-Market Economy Status and Surrogate Country Selection.)

Fair Value Comparisons

To determine whether sales of furfuryl alcohol from the PRC to the United States by Sinochem Shandong and Qingdao were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the ''United States Price'' and ''Foreign Market Value'' sections of this notice.

United States Price

United States price was calculated on the basis of purchase price, as described in the preliminary determination, in accordance with section 772(b) of the Act. Pursuant to findings at verification, we made minor adjustments to foreign inland freight, sales quantities and the date of payment for certain sales reported by Sinochem Shandong. We also made an adjustment for Sinochem Shandong's iso-tanker rental expense (*see* Comment 11). In the case of Qingdao, we adjusted its reported amounts for ocean freight. (*See* calculation memorandum, attached to the Department's concurrence memorandum of May 1, 1995).

Foreign Market Value

In accordance with section 773(c) of the Act, we calculated FMV based on the factors of production reported by the factories in the PRC which produced the subject merchandise for the two participating exporters. We calculated FMV for this final determination as discussed in the preliminary determination, making adjustments for specific verification findings and certain revisions to surrogate values, discussed below (*see*, also, calculation memorandum attached to the concurrence memorandum of May 1, 1995).

In our December 9, 1994, preliminary determination, we had valued individually the energy inputs used to produce the subject merchandise. We subsequently received additional information from the U.S. Embassy in Jakarta indicating that energy costs and indirect labor were included in the factory overhead rate used in our margin calculations (*see* memorandum to the file, dated March 23, 1995). Therefore, to avoid double-counting costs, we no longer have applied individual values for energy inputs in the final determination.

The Indonesian labor rates used in our preliminary determination were those that the Department had relied upon in the *Preliminary Determination of Sales at Less Than Fair Value: Disposable Pocket Lighters from the PRC,* 59 FR 64191, December 13, 1994 (*Lighters*). In the *Final Determination of Sales at Less Than Fair Value: Disposable Pocket Lighters from the PRC,* signed on April 27, 1995 (*Lighters Final*), the Department found that these labor rates were not appropriate for valuing labor factors. Therefore, for the *Lighters Final,* the Department relied on updated labor figures for skilled and unskilled labor obtained from *Doing Business in Indonesia* (1991) and the International Labor Office's *1994 Special Supplement to the Bulletin of Labor Statistics*. We have adopted the revised labor rates for this investigation as well.

Additionally, we revised the surrogate values for the material inputs of sulfuric acid and ammonia water because we determined that the 1993 Indonesian import values used in the preliminary determination were inappropriate. (For the details of our analysis of these

respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses (*see, Silicon Carbide*).

values, *see* the calculation memorandum attached to the concurrence memorandum of May 1, 1995). Since the Indonesian import values for both sulfuric acid and ammonia water were found to be inappropriate, we based our calculations on the export values derived from the Indonesian *Foreign Trade Statistical Bulletin—Exports,* November 1993.

For the primary material input, furfuryl, we continued to rely on the Indonesian selling price supplied by the U.S. Embassy in Jakarta because it was the information on the record most contemporaneous to the POI. We applied this value to furfuryl that was purchased and used in the production of furfuryl alcohol. For those factories that also produced their own furfuryl, we constructed a surrogate value from verified factor data for this input. This surrogate value was then applied to the amount of self-produced furfuryl used to make furfuryl alcohol during the POI (*see* Comment 4).

China-Wide Rate

The Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the China Chamber of Metals, Minerals & Chemical Importers & Exporters identified what we believe to be the only two PRC exporters of furfuryl alcohol to the United States during the POI. Both have responded in this investigation. We compared the respondents' sales data with U.S. import statistics for the period of investigation and found no inconsistencies. Accordingly, we have based the China-wide rate on the weighted-average of the margins calculated in this proceeding.

Verification

As provided in section 776(b) of the Act, we verified all the information relied upon for this final determination.

Interested Party Comments

Comment 1: Separate Rates Eligibility

The respondents contend that the Department should uphold its preliminary determination and issue separate rates to both Qingdao and Sinochem Shandong. They argue that the information on the record, as verified by the Department, supports their claims regarding the lack of central government ownership and the absence of *de jure* and *de facto* governmental control. Therefore, respondents assert, they are eligible for receiving separate, calculated margins in the final determination.

The petitioner argues that the respondents are subject to significant control by the PRC government and are, thus, ineligible to receive separate rates in the final determination. According to the petitioner, governmental control is evidenced by several factors that apply both generally and selectively to the respondents in this investigation.

First, the petitioner argues that the 1988 Law provides an example of *de jure* control by the central government. Petitioner points to chapter VI, article 55, of the 1988 Law, which states that the PRC government has the authority to ''issue mandatory plans'' to enterprises.

Second, the petitioner makes reference to a 1994 World Bank report, ''China Foreign Trade Reform,'' that was cited with approval in the Department's determination in *Coumarin*. This report states that the foreign contract system in the PRC has ''the effect of holding local authorities and FTCs [foreign trade companies] to what are in effect mandatory export targets.''

Third, the petitioner refers to the 1992 Export Provisions which indicate that furfuryl alcohol is subject to quotas on exports to Japan and the European Community (EC). According to the petitioner, the imposition of these export quotas had an indirect effect on exports of furfuryl alcohol to the U.S. market.

Fourth, the petitioner contends that the Department has determined that if a product is included on the 1992 Export Provisions list, then it is subject to mandatory plans and export targets (*see Coumarin*).

Focusing specifically on Sinochem Shandong, the petitioner alleges that this exporter is a subsidiary of the national trading company, China National Chemicals Import and Export Corporation (commonly known as Sinochem Import & Export Corporation) which, in turn, is under the control of the State Council. The petitioner argues that the linkage between these entities is established by (a) the 1994 company catalog of Sinochem Shandong, and (b) the 1992 ''Directory of Chinese Enterprises for Foreign Economic Relations and Trade'' which suggests that Sinochem Shandong is under the control of the State Council.

In response, Qingdao and Sinochem Shandong assert that the provisions of the 1988 Law concerning mandatory plans are not applicable to the furfuryl alcohol industry. Furthermore, the 1992 Regulations, indicate that the responsibility for managing enterprises ''owned by all of the people'' is with the enterprises themselves and not with the government.

On the subject of furfuryl alcohol export quotas, the respondents agree with the Department's preliminary determination that such quotas are not applicable to PRC exports to the United States. According to the respondents, any suggestion that the quotas on exports to the EC and Japan might have had some distortive effect on pricing of furfuryl alcohol exports to the United States is ''pure speculation.''

Regarding the specific allegation against Sinochem Shandong, that company states that the national trading company was dismantled during the 1992 decentralization and its former branches made independent. It notes, moreover, that the Department had granted Sinochem Shandong a separate rate in past investigations.

DOC Position

We disagree with the petitioner. Regarding petitioner's argument that the 1988 Law allows for the imposition of mandatory plans, we note that (1) the 1992 Regulations, which further devolved control from the government to the enterprises, provides that ''enterprises have the right to reject mandatory plan targets'' (Article VIII), and (2) we confirmed at verification that these exporters (a) establish their own export prices; (b) negotiate their own sales without guidance from any government entities; (c) select their own management without interference from any government entities; and d) retain the proceeds from the sales of the subject merchandise.

Regarding the petitioner's argument about the 1992 Export Provisions, we recognize that furfuryl alcohol was included on the list of commodities that were subject to export quotas. However, as stated in the preliminary determination, these quotas were confined to exports to Japan and the countries of the European Community and were not applicable to PRC exports to the United States. Petitioner did not offer any explanation as to how the quotas on exports to the EC countries and Japan might have affected the pricing of the PRC sales of furfuryl alcohol to the United States. Moreover, furfuryl alcohol is not included in the more recent 1994 Quota Measure.

With regard to the specific allegation concerning Sinochem Shandong, the Department found Sinochem Shandong eligible for a separate rate, on a *de jure* basis, on the ground that the national trading company was dismantled and its former branches became independent (*see Sparklers* and *Final Determination of Sales at Less Than Fair Value: Sulfur Dyes From the People's Republic of China*, 58 FR 7537–38 (February 8, 1993). The 1992 ''Directory of Chinese Enterprises for Foreign Economic Relations and Trade'' referenced by the

petitioner is outdated; the Sinochem national trading company was dismantled after the directory was compiled. As stated in the ''Separate Rates'' section of this notice, we therefore find that the administrative record in this investigation supports a final determination that there is the *de jure* and *de facto* absence of governmental control over the export activities of both respondents. Consequently, we find that these exporters have met the criteria for application of separate rates.

Comment 2: Assigning Separate Rates for Different Suppliers

The respondents urge the Department to determine separate rates for each manufacturing respondent and to establish dual rates for trading companies sourcing from two manufacturers. In support of this request, the respondents cite to the *Final Determination of Sales at Less Than Fair Value: Certain Cased Pencils* from the PRC, 59 FR 55625 (November 8, 1994) (*Pencils*).

The petitioner argues that respondents' reliance on *Pencils* is misplaced, noting that the Department established factory-specific rates in that case to prevent investigated producer/exporter combinations with no dumping margin from becoming conduits for merchandise produced by producers that had been found to have positive dumping margins. Accordingly, the petitioner urges that respondents' request be rejected.

DOC Position

We agree with the petitioner. The Department's practice is to apply separate rates only to those exporters of the subject merchandise who responded to the Department's questionnaire, whose responses were verified on this issue, and who satisfy the criteria of our separate rates test. For those exporters that have multiple suppliers, margins are based on weighted-average FMVs (*see, Coumarin*, 59 FR 66895, 66899).

In *Pencils*, the Department found no dumping margin for one exporter based upon the factors of production provided by the suppliers of that exporter. The Department determined that, for purposes of exclusion from the order, the exclusion applied only to the exporter's sales of merchandise produced by those suppliers. If the exporter sold merchandise produced by other suppliers, that merchandise would be subject to the order at the ''China-wide'' rate. The Department assigned a margin based on the weighted-average FMV of all suppliers to other exporters that did not qualify for exclusion. In this investigation, because none of the exporter-supplier combinations are without a dumping margin, the Department assigned each exporter a rate based on the respective weight-average FMV of the exporter/producer combinations.

Comment 3: Market-Oriented Treatment for Certain Inputs

At the preliminary determination, respondents requested market-oriented-industry (MOI) treatment and the use of domestic PRC prices for major *inputs* in the production of furfuryl alcohol (furfuryl and its primary material input, corn cobs). The Department rejected respondents' claim. In its subsequent briefs, the respondents argued that MOI treatment and the use of domestic PRC prices was appropriate for the furfuryl alcohol itself.

The petitioner cites the *Final Determination of Less Than Fair Value: Sulfanilic Acid from the PRC*, 57 FR 29705 (July 6, 1992) (*Sulfanilic Acid*), for the proposition that the MOI test is not and should not be applied on an input-by-input basis.

DOC Position

The Department's practice with MOI claims has been to require the respondents to show that the *subject merchandise* is produced within an MOI. Showing that a respondent purchases one input at a market-determined price (which we have not concluded in this investigation) is relevant but, alone, not sufficient to find an MOI for the subject merchandise (*Sulfanilic Acid*, 57 FR 29705). Respondents failed to show that the other inputs were available at market-determined prices. Accordingly, respondents have not demonstrated eligibility for MOI treatment and, in accordance with the statute, we must determine FMV on the basis of surrogate market economy values for inputs produced or purchased within the PRC.

Comment 4: Constructed Surrogate Value for All Furfuryl

The respondents urge the Department to use the reported factors of production to value both self-produced and purchased furfuryl during the POI. They argue that, according to the *Omnibus Trade and Competitiveness Act of 1988* (*1988 Act*), the Department's first preference in determining FMV in an NME investigation is the calculation of the value of factors of production. Since the Department has verified the factors of production in the PRC, using the actual factor inputs and surrogate values for those inputs is the most accurate way to value furfuryl. The respondents assert that, at a minimum, the factors of production of furfuryl should be used to value both the furfuryl produced and the furfuryl purchased for the producers that did both during the POI.

The petitioner contends that the respondents' reference to the change to using factor inputs and surrogate values for NME investigations in the *1988 Act* is both factually and legally incorrect. To support its assertion, the petitioner states: (1) The Department has not constructed a surrogate value for furfuryl produced in the PRC as claimed by the respondents—the factors of production for furfuryl, based on the few responding producers in this investigation, are not necessarily applicable to all furfuryl producers in the PRC; (2) the *1988 Act* requires merely that the Department value in a surrogate country input factors of production of the subject merchandise; and (3) no statutory support exists for applying one NME producer's factors of production to another NME manufacturer's product.

DOC Position

We agree with the petitioner that the *1988 Act* does not support the respondents' proposal. In accordance with the statute's direction to measure and value ''the factors of production utilized in the production of the merchandise,'' we valued the inputs for furfuryl for the factories producing furfuryl. For those factories that purchased furfuryl for their production of furfuryl alcohol, we continued to treat the purchased furfuryl as the input to be valued on the basis of a surrogate.

Comment 5: Corn Cob Value

The petitioner argues that corn cobs, a primary direct material of furfuryl and, therefore, furfuryl alcohol, should be assigned a value based on a price in one of the surrogate countries. In the preliminary determination the Department, based on information provided in a cable from the U.S. Embassy in Indonesia, treated corn cobs as an agricultural waste product and only assigned corn cobs the costs applicable to transporting corn cobs to the factory. The petitioner contends that it is inapposite to treat corn cobs as agricultural waste because the respondents have to pay for corn cobs. If a price for corn cobs is unavailable in Indonesia, the petitioner urges the Department to use a price from another surrogate country.

The respondents argue that if furfuryl production is based on the use of market factors, including corn cobs, then home market prices should be used for these factors. If, however, the Department continues to value furfuryl production

using the factor methodology, the respondents contend that corn cobs should be valued at Indonesian prices, as established in the preliminary determination.

DOC Position

We agree with the petitioner that corn cobs should be assigned a value based on a price in one of the surrogate countries. However, we disagree with the petitioner that it is inapposite to treat corn cobs as agricultural waste because the respondents pay for corn cobs. In this investigation, we obtained information relating to the value of corn cobs in the surrogate country, Indonesia. In Indonesia, corn cobs are treated as agricultural waste and have no commercial value. Inasmuch as we valued these corn cobs on the basis of our surrogate country methodology, the surrogate value is appropriate.

Comment 6: Inappropriate Import Value for Furfuryl

The petitioner contends that the Department should rely on publicly available information from 1992 Indonesian import statistics rather than a price quote received from a factory in Indonesia to value furfuryl.

DOC Position

As in the preliminary determination, we used the respective factors of production in our calculation of FMV for the furfuryl that was produced by the respondents; however, for the furfuryl that was purchased, we based the value on cable information received from the U.S. Embassy in Indonesia. As stated in the calculation memorandum attached to the concurrence memorandum, dated December 9, 1994, the 1992 value that the petitioner is referring to is publicly available, but it is less contemporaneous with the POI than the cable information, and therefore, was rejected.

Comment 7: Zhucheng's Claimed By-Product Credit

The petitioner urges the Department to reject Shandong Zhucheng Chemical Company Limited's (Zhucheng) claimed by-product credit for a factor of production because the information was submitted during verification and, therefore, constitutes an untimely submission of data.

The respondents argue that the record in this investigation indicates that the petitioner improperly characterized Zhucheng's claimed credit as untimely. Zhucheng indicates that it had reported the credit in its original response to Section D of the Department's questionnaire. While the respondents acknowledge that they provided a correction and calculation worksheet on this topic at verification, they argue that the documentation is fully in line with that which the Department normally accepts or requires at verification. Accordingly, the respondents request that the Department use the verified credit information in the final margin calculations.

DOC Position

While we agree with the respondents that this information was not untimely, we did not include this credit in our final margin calculations because, as noted in our verification report, Zhucheng was unable to provide documentation to support its worksheet calculations for the credit amount of the factor. (For a further discussion of this issue, *see* our calculation memorandum attached to the May 1, 1995, concurrence memorandum and Zhucheng's verification report at page 17, dated March 22, 1995).

Comment 8: Zhucheng's Understated Usage of Corn Cobs

The petitioner argues that the Department's verification revealed that Zhucheng underreported its consumption of corn cobs, and that the Department should base its final margin calculations on the verified amounts.

According to the respondents, the petitioner has mischaracterized the Department's verification findings. The respondents suggest that the understatement was related to impurities, not corn cobs. The respondents also suggest that Zhucheng quite properly reported corn cob consumption, not the consumption of both the factor corn cobs and the impurities. However, the respondents view petitioner's argument as irrelevant because corn cobs are considered an agricultural waste in the surrogate, Indonesia.

DOC Position

We agree with the petitioner that Zhucheng underreported its consumption of corn cobs. Our questionnaire requests respondents to report the gross, not net, amount of materials consumed in the production of the subject merchandise. Therefore, we have increased Zhucheng's consumption of this input, as verified. Inasmuch as the surrogate information in Indonesia assigns no monetary value to corn cobs, this increase in consumption will have an affect only on the expenses to transport the corn cobs to the furfuryl alcohol factory.

Comment 9: Zhucheng's Reallocation of Labor Hours

The petitioner contends that the Department should reject Zhucheng's reallocation of labor hours presented at verification because the information is both untimely and without merit.

According to the respondents, the petitioner has misinterpreted the record in arguing that Zhucheng submitted new data on labor hours in the middle of verification. The respondents emphasize that Zhucheng had reported labor hours in its original questionnaire responses to the Department. At verification, the respondents contend that the Department was able to review Zhucheng's records on labor and assess the proper division of direct, indirect and unrelated labor. Inasmuch as Zhucheng's reallocation verified without discrepancy, the respondents request that the Department include its verification findings on labor in its final margin calculations.

DOC Position

We agree with the respondents. As noted in our verification report, Zhucheng had overstated the amount of labor used for producing the input furfuryl because the reported amounts included both indirect and unrelated labor. Since our surrogate value for factory overhead includes indirect labor and it is the Department's practice to only include the production labor related to the subject merchandise, we have revised our final calculations on labor to avoid double counting indirect labor.

Comment 10: Zhucheng's Self-Produced Input, Hydrogen

Zhucheng requests that the Department revise its valuation of hydrogen for the final determination by not valuing it separately. The company argues that the costs associated with the manufacture of this input are included in the surrogate value for factory overhead and that the Department's separate valuation of this input constitutes double counting.

The petitioner argues that the Department should reject Zhucheng's attempt to disregard hydrogen as a direct material and assign a factor value to the process used to produce this input. Moreover, inasmuch as the respondent failed to report usage rates for this process, the petitioner urges that the Department assign a value based upon the best information otherwise available.

DOC Position

We confirmed that the process necessary to produce hydrogen is

accounted for in the surrogate value for factory overhead and that to value the company's input separately would involve double counting. Therefore, we have not assigned a separate value to hydrogen in our calculations for the final determination. (For a further discussion of this issue, see our calculation memorandum attached to the concurrence memorandum of May 1, 1995).

Comment 11: Iso-Tanker Rental Expense

The petitioner asserts that, in computing movement expenses, the Department should include a rental expense for iso-tankers used by Sinochem Shandong because the Department verified that these expenses were incurred. The petitioner argues that it is appropriate to rely on the public information provided in the petition for the valuation of these expenses in the final margin calculations.

DOC Position

We agree with the petitioner that Sinochem Shandong incurred a rental expense for transporting the subject merchandise in iso-tanker trucks during the POI. Given that we were unable to obtain any publicly available data, or other information, regarding this expense in any of our surrogate countries, we relied on the publicly available information in the petition for the rental of iso-tanker trucks from Thailand for shipments to the United States to derive a MT per kilometer cost. We applied this figure to the distance between the factory and the port for each PRC supplier of Sinochem Shandong.

Comment 12: BIA for Sinochem Shandong

The petitioner argues that the Department should use BIA to calculate a margin for Sinochem Shandong because it failed to furnish a complete list of suppliers that provided the furfuryl alcohol it sold to the United States during the POI. The petitioner states that the reported suppliers did not deliver furfuryl alcohol from a total of five invoices in time for one of Sinochem Shandong's shipments. Accordingly, the petitioner asserts that Sinochem Shandong must have purchased the furfuryl alcohol elsewhere, and has failed to disclose that supplier to the Department.

The respondents contend that the petitioner's allegation regarding Sinochem Shandong's sourcing is unfounded. The respondents argue that the integrity of Sinochem Shandong and its suppliers are demonstrated in the Department's verification reports and, therefore, there is no reason to use BIA. To support their argument, the respondents cite to the Department's verification reports.

DOC Position

We agree with the respondents that the sales reported by Sinochem Shandong and by its suppliers did, in fact, correspond, and that the discrepancy was only a result of differences in the bookkeeping practices of these different entities. For these reasons, we relied on Sinochem Shandong's verified data and did not resort to using BIA to calculate its margin.

Comment 13: Additional Movement Expenses for Qingdao

The petitioner asserts that the Department should deduct from the USP the additional expenses incurred for the movement of Qingdao's furfuryl alcohol from the point of shipment to the point of delivery. At verification, Qingdao indicated that it received partial payment for certain invoices and that the difference between the invoiced amounts and the actual payments represents movement expenses. The petitioner argues that these movement expenses must be accounted for in the Department's calculations.

The respondents indicate that the record demonstrates that these additional charges are not those of Qingdao and that this was affirmed at verification. Accordingly, it would be inappropriate to charge these additional movement expenses to Qingdao.

DOC Position

We agree with the respondents. The Department verified that only partial payments for three U.S. sales had been forwarded by the customer to Qingdao because of a dispute over shipping charges between the shipper and Qingdao's customer. Both Qingdao and its customer acknowledge that these charges are not the responsibility of Qingdao. The customer stated that it will complete payment to Qingdao as soon as the issue with the shipper is resolved (see Qingdao verification report, dated March 20, 1995). Accordingly, the Department is satisfied that a third party, not Qingdao, is liable for the additional movement expenses.

Comment 14: Ministerial Error on Packing

The respondents state that the Department should correct the multiplication errors made in calculating packing expenses in the preliminary determination. Specifically, they state that for the producers Zibo Gaintact Chemical Company Limited and Zhucheng, the Department incorrectly multiplied the drum cost per metric ton by the number of drums in a metric ton. In addition, the respondents state that with respect to the producers Linzi Organic Chemicals Co. Ltd. and Zibo, the Department confirmed that shipment of products by Sinochem Shandong was by iso-tanker. Accordingly, the respondents assert that packing material costs for these shipments should be zero.

The petitioner notes that although the Department's preliminary calculation has a mathematical error, it is not the error alleged by the respondent. In fact, the petitioner postulates that the packing figures used in the preliminary determination were partially correct. The petitioner makes the assumption that the Department charged all sales of furfuryl alcohol with packing cost to account for the packing that would be needed for the purchased furfuryl. Therefore, the petitioner states that all sales should include packing cost, and that the drum sales should have packing cost included twice.

DOC Position

We agree with the respondents. These were ministerial errors and have been corrected (see calculation memorandum attached to the concurrence memorandum, dated May 1, 1995).

Comment 15: Labor Rates

The respondents state that, in the preliminary determination, the Department used unrealistically high labor rates for both skilled and unskilled labor, and such rates did not accurately reflect the actual wage rates in Indonesia.

The petitioner argues that the Department should continue to rely on the U.S. Department of Labor statistics for Indonesian labor that were used in the preliminary determination.

DOC Position

We agree with the respondents. The labor rates used in the preliminary and final determinations are discussed above in the section on Foreign Market Value.

Comment 16: Indirect Labor & Energy

The respondents state that, based on the March 23, 1995, memorandum to the file, the calculations for all three manufacturers should be corrected to eliminate indirect labor, coal, steam, and electricity because the memorandum states that the costs of indirect labor and energy are included

in the Indonesian surrogate value for factory overhead.

The petitioner urges the Department not to eliminate indirect labor and energy, and instead use a surrogate valuation based on a percentage of direct materials, all labor and energy costs. In any event, the petitioner states that the Department should not ignore the respondent's energy costs.

DOC Position

We agree with the respondents. Based on the Department's surrogate value methodology, Indonesia is our preferred surrogate, and since the factory overhead percentage for Indonesia includes the above-mentioned items, we have not separately valued those items in our calculations for the final determination.

Comment 17: Salt

The respondents state that the Department verified that salt, not the originally reported factor, was used by two of the factories. To value this factor, the respondents suggest using either the Indonesian price, if available, or the U.S. price. Alternatively, the respondents state that the Department should consider disregarding the cost of salt altogether because it was not used in the production process. They point to the verification report for one of the factories, wherein salt was referred to as ''a low cost consumable'' used for equipment maintenance.

The petitioner argues that the Department's calculations of surrogate values in the preliminary determination were correct and should not be changed.

DOC Position

We agree with both parties, in part. For the factory that treats salt as a ''low cost consumable,'' we have treated these costs as part of factory overhead and have not valued them separately as a factor of production. For the other factory, there is no evidence concerning how salt was used in the production process or what kind of salt was used. Therefore, we have treated salt as a factor of production, and have continued to use the surrogate value that was used in the preliminary determination.

Comment 18: Sulfuric Acid

The respondents state that the surrogate value used for sulfuric acid in the preliminary determination is either erroneous or aberrational and should be corrected. They state that a more realistic value for sulfuric acid has been established in the *Pencils* investigation, where an Indian price was used.

The petitioner contends that the Department should follow the surrogate country hierarchy established in this case.

DOC Position

We agree with both parties, in part. We agree with the petitioner that the Department should use the established hierarchy. Based on our analysis, we also agree with the respondents that a more accurate value should be used. Because furfuryl alcohol is not produced in India, we based our calculations on the export values derived from the November 1993 Indonesian *Foreign Trade Statistical Bulletin— Exports*. Because this was a contemporaneous value, no adjustment for inflation was needed (*see* calculation memorandum attached to the concurrence memorandum, dated May 1, 1995).

Comment 19: Valuation of Ammonia Water

The respondents state that the surrogate value used for ammonia water in the preliminary determination was aberrational and should be corrected. The respondent cites to the Department's publication of an ''Index of Factor Values for Use in Antidumping Duty Investigations Involving Products from the People's Republic of China'' which lists a price for ammonia water in another approved surrogate, India.

The petitioner alleges that the respondents misuse the terms ''erroneous'' and ''aberrational'' and completely disregard the Department's factor valuation hierarchy. The petitioner urges the Department not to change its surrogate value for this factor.

DOC Position

We agree with the respondents in part. Based on our analysis, we determined that the surrogate value used in the preliminary determination was inappropriate. (For the details of our analysis of this value, *see* the calculation memorandum attached to the concurrence memorandum, dated May 1, 1995.) Since the Indonesian import value for ammonia water was found to be inappropriate, we based our calculations on the export values derived from the November 1993 Indonesian *Foreign Trade Statistical Bulletin—Exports*. Because this was a contemporaneous value, no adjustment for inflation was needed.

Continuation of Suspension of Liquidation

In accordance with sections 733(d)(1) and 735(c)(4)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of furfuryl alcohol from the PRC, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The Customs Service shall require a cash deposit or posting of a bond equal to the estimated amount by which the FMV exceeds the USP as shown below. These suspension of liquidation instructions will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/producer/exporter	Weighted-Average Margin Percentage
Sinochem Shandong	43.54
Qingdao	50.43
China-Wide	45.27

ITC Notification

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

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: May 1, 1995.

Susan G. Esserman,

Assistant Secretary for Import Administration.

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[A–791–802]

Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From South Africa

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