

**Public Comment**

Case briefs or other written comments may be submitted to the Assistant Secretary for Import Administration no later than fifty days after the date of publication of this notice, and rebuttal briefs, limited to issues raised in case briefs, no later than fifty-five days after publication of this notice. A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. Such summary should be limited to five pages total, including footnotes. In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, the hearing will be held fifty-seven days after publication of this notice, time and room to be determined, at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

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

This determination is issued and published in accordance with sections 733(d) and 777(i)(1) of the Act.

Dated: December 17, 1998.

**Richard Moreland,**

*Acting Assistant Secretary for Import Administration.*

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**DEPARTMENT OF COMMERCE****International Trade Administration**

[A-475-824]

**Notice of Preliminary Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils From Italy**

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

**EFFECTIVE DATE:** January 4, 1999.

**FOR FURTHER INFORMATION CONTACT:**

Lesley Stagliano or Rick Johnson, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-0190 or (202) 482-3818, respectively.

**The Applicable Statute**

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

**Preliminary Determination**

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

**Case History**

On June 30, 1998, the Department initiated antidumping duty investigations of imports of SSSS from France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, and the United Kingdom. See *Initiation of Antidumping Duty Investigations: Stainless Steel Sheet and Strip in Coils From France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, and the United Kingdom* ("Initiation") 63 FR 37521, (July 13, 1998). Since the initiation of this investigation the following events have occurred.

The Department set aside a period for all interested parties to raise issues regarding product coverage. On July 29, 1998, petitioners, Allegheny Ludlum Corporation, Armco Inc., J&L Specialty Steel, Inc., Washington Steel Division of Bethlehem Steel Corporation (formerly Lukens, Inc.), the United Steelworkers of America, AFL-CIO/CLC, the Butler Armco Independent Union, and the Zaniesville Armco Independent Organization, Inc., filed comments proposing clarifications to the scope of these investigations. Also, from July through October, 1998, the Department received numerous responses from respondents aimed at clarifying the scope of the investigations. See *Memorandum to Joseph A. Spetrini, Re: Scope Issues*, dated December 14, 1998.

On July 7, 1998, the Department requested information from the U.S. Embassy in Italy to identify producers/exporters of the subject merchandise. On July 21, 1998, the Department requested comments from petitioners and other interested parties regarding the criteria to be used for model matching purposes. On July 27, 1998, petitioners submitted comments on our proposed model matching criteria.

Also on July 24, 1998, the United States International Trade Commission (ITC) notified the Department of its affirmative preliminary injury determination in this case. On August 3, 1998, the Department issued an antidumping questionnaire to Acciai Speciali Terni SpA ("AST") and Arinox SrL ("Arinox"). On September 21, 1998, the Department selected AST as a respondent in this investigation. See "Selection of Respondents," below.

AST submitted its response to section A of the questionnaire on September 8, 1998, and AST's responses to sections B through D followed on September 28, 1998. Petitioners filed comments on AST's Section A through D responses on October 9, October 13, and October 16, 1998. We issued supplemental questionnaires for Sections A, B, and C to AST on October 23, 1998, and for Section D on November 13, 1998. AST responded to our supplemental questionnaires for Sections A, B, and C on November 6, and November 12, 1998, and to our supplemental questionnaires for Section D on December 2, 1998.

On October 6, 1998, petitioners made a timely request for a thirty-day postponement of the preliminary determination pursuant to section 733(c)(1)(A) of the Act. The Department determined that these concurrent investigations are extraordinarily complicated and warranted the thirty-day postponement requested by petitioners. On October 23, 1998, we postponed the preliminary determination until no later than December 17, 1998. See *Stainless Steel Sheet and Strip in Coils From France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, and the United Kingdom; Notice of Postponement of Preliminary Determinations in Antidumping Duty Investigations*, 63 FR 56909 (October 23, 1998). On October 30, 1998, petitioners alleged that there is a reasonable basis to believe or suspect that critical circumstances exist with respect to imports of SSSS from Italy. The critical circumstances analysis for the preliminary determination is discussed in the "Critical Circumstances" section of the notice below.

On December 2, 1998, petitioners submitted comments for use in this preliminary determination. Petitioners also submitted comments on December 3, 1998, regarding the product concordance for use in this preliminary determination.

*Postponement of Final Determination and Extension of Provisional Measures*

Pursuant to section 735(a)(2) of the Act, on December 15, 1998, AST requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination until not later than 135 days after the date of the publication of an affirmative preliminary determination in the **Federal Register**. AST also included a request to extend the provisional measures to not more than six months. In accordance with 19 CFR 351.210(b), because (1) our preliminary determination is affirmative, (2) AST accounts for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist, we are granting the respondent's request and are postponing the final determination until no later than 135 days after the publication of this notice in the **Federal Register**. Suspension of liquidation will be extended accordingly.

**Scope of The Investigation**

For purposes of this investigation, the products covered are certain stainless steel sheet and strip in coils. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flat-rolled product in coils that is greater than 9.5 mm in width and less than 4.75 mm in thickness, and that is annealed or otherwise heat treated and pickled or otherwise descaled. The subject sheet and strip may also be further processed (e.g., cold-rolled, polished, aluminized, coated, etc.) provided that it maintains the specific dimensions of sheet and strip following such processing.

The merchandise subject to this investigation is classified in the *Harmonized Tariff Schedule of the United States* ("HTSUS") at subheadings: 7219.13.00.30, 7219.13.00.50, 7219.13.00.70, 7219.13.00.80, 7219.14.00.30, 7219.14.00.65, 7219.14.00.90, 7219.32.00.05, 7219.32.00.20, 7219.32.00.25, 7219.32.00.35, 7219.32.00.36, 7219.32.00.38, 7219.32.00.42, 7219.32.00.44, 7219.33.00.05, 7219.33.00.20, 7219.33.00.25, 7219.33.00.35,

7219.33.00.36, 7219.33.00.38, 7219.33.00.42, 7219.33.00.44, 7219.34.00.05, 7219.34.00.20, 7219.34.00.25, 7219.34.00.30, 7219.34.00.35, 7219.35.00.05, 7219.35.00.15, 7219.35.00.30, 7219.35.00.35, 7219.90.00.10, 7219.90.00.20, 7219.90.00.25, 7219.90.00.60, 7219.90.00.80, 7220.12.10.00, 7220.12.50.00, 7220.20.10.10, 7220.20.10.15, 7220.20.10.60, 7220.20.10.80, 7220.20.60.05, 7220.20.60.10, 7220.20.60.15, 7220.20.60.60, 7220.20.60.80, 7220.20.70.05, 7220.20.70.10, 7220.20.70.15, 7220.20.70.60, 7220.20.70.80, 7220.20.80.00, 7220.20.90.30, 7220.20.90.60, 7220.90.00.10, 7220.90.00.15, 7220.90.00.60, and 7220.90.00.80. Although the HTS subheadings are provided for convenience and Customs purposes, the Department's written description of the merchandise under investigation is dispositive.

Excluded from the scope of this investigation are the following: (1) sheet and strip that is not annealed or otherwise heat treated and pickled or otherwise descaled, (2) sheet and strip that is cut to length, (3) plate (i.e., flat-rolled stainless steel products of a thickness of 4.75 mm or more), (4) flat wire (i.e., cold-rolled sections, with a prepared edge, rectangular in shape, of a width of not more than 9.5 mm), and (5) razor blade steel. Razor blade steel is a flat rolled product of stainless steel, not further worked than cold-rolled (cold-reduced), in coils, of a width of not more than 23 mm and a thickness of 0.266 mm or less, containing, by weight, 12.5 to 14.5 percent chromium, and certified at the time of entry to be used in the manufacture of razor blades. See Chapter 72 of the HTSUS, "Additional U.S. Note" 1(d).

In response to comments by interested parties the Department has determined that certain specialty stainless steel products are also excluded from the scope of this investigation. These excluded products are described below:

Flapper valve steel is defined as stainless steel strip in coils containing, by weight, between 0.37 and 0.43 percent carbon, between 1.15 and 1.35 percent molybdenum, and between 0.20 and 0.80 percent manganese. This steel also contains, by weight, phosphorus of 0.025 percent or less, silicon of between 0.20 and 0.50 percent, and sulfur of 0.020 percent or less. The product is manufactured by means of vacuum arc remelting, with inclusion controls for sulphide of no more than 0.04 percent and for oxide of no more than 0.05 percent. Flapper valve steel has a tensile

strength of between 210 and 300 ksi, yield strength of between 170 and 270 ksi, plus or minus 8 ksi, and a hardness (Hv) of between 460 and 590. Flapper valve steel is most commonly used to produce specialty flapper valves in compressors.

Also excluded is a product referred to as suspension foil, a specialty steel product used in the manufacture of suspension assemblies for computer disk drives. Suspension foil is described as 302/304 grade or 202 grade stainless steel of a thickness between 14 and 127 microns, with a thickness tolerance of plus-or-minus 2.01 microns, and surface glossiness of 200 to 700 percent Gs. Suspension foil must be supplied in coil widths of not more than 407 mm, and with a mass of 225 kg or less. Roll marks may only be visible on one side, with no scratches of measurable depth. The material must exhibit residual stresses of 2 mm maximum deflection, and flatness of 1.6 mm over 685 mm length.

Certain stainless steel foil for automotive catalytic converters is also excluded from the scope of this investigation. This stainless steel strip in coils is a specialty foil with a thickness of between 20 and 110 microns used to produce a metallic substrate with a honeycomb structure for use in automotive catalytic converters. The steel contains, by weight, carbon of no more than 0.030 percent, silicon of no more than 1.0 percent, manganese of no more than 1.0 percent, chromium of between 19 and 22 percent, aluminum of no less than 5.0 percent, phosphorus of no more than 0.045 percent, sulfur of no more than 0.03 percent, lanthanum of between 0.002 and 0.05 percent, and total rare earth elements of more than 0.06 percent, with the balance iron.

Permanent magnet iron-chromium-cobalt alloy stainless strip is also excluded from the scope of this investigation. This ductile stainless steel strip contains, by weight, 26 to 30 percent chromium, and 7 to 10 percent cobalt, with the remainder of iron, in widths 228.6 mm or less, and a thickness between 0.127 and 1.270 mm. It exhibits magnetic remanence between 9,000 and 12,000 gauss, and a coercivity of between 50 and 300 oersteds. This product is most commonly used in electronic sensors and is currently available under proprietary trade names such as "Arnokrome III."<sup>1</sup>

Certain electrical resistance alloy steel is also excluded from the scope of this investigation. This product is defined as a non-magnetic stainless steel

<sup>1</sup> "Arnokrome III" is a trademark of the Arnold Engineering Company.

manufactured to American Society of Testing and Materials (ASTM) specification B344 and containing, by weight, 36 percent nickel, 18 percent chromium, and 46 percent iron, and is most notable for its resistance to high temperature corrosion. It has a melting point of 1390 degrees Celsius and displays a creep rupture limit of 4 kilograms per square millimeter at 1000 degrees Celsius. This steel is most commonly used in the production of heating ribbons for circuit breakers and industrial furnaces, and in rheostats for railway locomotives. The product is currently available under proprietary trade names such as "Gilphy 36."<sup>2</sup>

Certain martensitic precipitation-hardenable stainless steel is also excluded from the scope of this investigation. This high-strength, ductile stainless steel product is designated under the Unified Numbering System (UNS) as S45500-grade steel, and contains, by weight, 11 to 13 percent chromium, and 7 to 10 percent nickel. Carbon, manganese, silicon and molybdenum each comprise, by weight, 0.05 percent or less, with phosphorus and sulfur each comprising, by weight, 0.03 percent or less. This steel has copper, niobium, and titanium added to achieve aging, and will exhibit yield strengths as high as 1700 Mpa and ultimate tensile strengths as high as 1750 Mpa after aging, with elongation percentages of 3 percent or less in 50 mm. It is generally provided in thicknesses between 0.635 and 0.787 mm, and in widths of 25.4 mm. This product is most commonly used in the manufacture of television tubes and is currently available under proprietary trade names such as "Durphynox 17."<sup>3</sup>

Finally, three specialty stainless steels typically used in certain industrial blades and surgical and medical instruments are also excluded from the scope of this investigation. These include stainless steel strip in coils used in the production of textile cutting tools (e.g., carpet knives).<sup>4</sup> This steel is similar to ASTM grade 440F, but containing, by weight, 0.5 to 0.7 percent of molybdenum. The steel also contains, by weight, carbon of between 1.0 and 1.1 percent, sulfur of 0.020 percent or less, and includes between 0.20 and 0.30 percent copper and between 0.20 and 0.50 percent cobalt. This steel is sold under proprietary names such as "GIN4 Mo." The second excluded stainless steel strip in coils is similar to AISI 420-J2 and contains, by weight,

carbon of between 0.62 and 0.70 percent, silicon of between 0.20 and 0.50 percent, manganese of between 0.45 and 0.80 percent, phosphorus of no more than 0.025 percent and sulfur of no more than 0.020 percent. This steel has a carbide density on average of 100 carbide particles per square micron. An example of this product is "GIN5" steel. The third specialty steel has a chemical composition similar to AISI 420 F, with carbon of between 0.37 and 0.43 percent, molybdenum of between 1.15 and 1.35 percent, but lower manganese of between 0.20 and 0.80 percent, phosphorus of no more than 0.025 percent, silicon of between 0.20 and 0.50 percent, and sulfur of no more than 0.020 percent. This product is supplied with a hardness of more than Hv 500 guaranteed after customer processing, and is supplied as, for example, "GIN6".<sup>5</sup>

#### Period of Investigation

The period of investigation (POI) is April 1, 1997 through March 31, 1998.

#### 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 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 this proceeding and the resources available to the Department, we determined that it was not practicable in this investigation to examine all known producers/exporters of subject merchandise. Instead, we found that, given our resources, we would be able to investigate the Italian producers/exporters with the greatest export volume, as identified above. Since AST accounted for more than 70 percent of all known exports of the subject

merchandise from Italy during the POI, we selected it as the sole respondent. See *Memorandum from Program Managers to Joseph A. Spetrini Re: Selection of Respondents*, September 21, 1998.

#### Affiliation

AST has claimed that it is not affiliated with Thyssen AG or any of Thyssen AG's affiliates. However, a review of the evidence demonstrates that AST is affiliated with Thyssen AG. Pursuant to section 771(33)(E) of the Act, the Department will determine that companies are affiliated where a company directly or indirectly owns, controls, or holds power to vote, five percent or more of the outstanding voting stock or shares of any organization. Here, evidence establishes that AST is 75 percent owned by a joint venture company, KTS. KTS, in turn, is 40 percent owned by Thyssen Stahl AG, itself a wholly-owned subsidiary of Thyssen AG. Consequently, Thyssen AG has a 33.75 percent equity holding in AST and, therefore, because this is greater than five percent, Thyssen AG is affiliated with AST within the meaning of section 771(33)(E). See *Memorandum: Affiliation of AST and Thyssen AG, and AST and A Thyssen Affiliate (company A)*, dated December 17, 1998.

AST also claimed that because it was not affiliated with Thyssen AG or any of Thyssen AG's affiliates, AST was not affiliated with a particular U.S. customer, company A. AST stated that company A was wholly-owned by Thyssen Inc., N.A. and other evidence establishes that Thyssen Inc., is in turn a wholly-owned subsidiary of Thyssen AG. Because the Department is precluded under the statute from using sales to affiliates in determining CEP or EP, we examined whether AST was affiliated to company A. See Section 772 (a) and (b) of the Act. Section 771(33)(F) provides the Department with the authority to find parties affiliated where two or more persons are directly or indirectly controlled by or under common control with any other person. Therefore, if evidence demonstrates that Thyssen AG controls both company A and AST, then AST and company A are affiliated within the meaning of section 771(33)(F). Based on the evidence, we have preliminarily found that Thyssen AG has the ability to control AST and company A, and therefore, we find that AST and company A are affiliated.

In codifying a new definition of affiliated persons, the legislative history make clear that one of the Department's goals was to broaden its ability to analyze commercial relationships for the purposes of a dumping analysis and

<sup>2</sup> "Gilphy 36" is a trademark of Imphy, S.A.

<sup>3</sup> "Durphynox 17" is a trademark of Imphy, S.A.

<sup>4</sup> This list of uses is illustrative and provided for descriptive purposes only.

<sup>5</sup> "GIN4 Mo", "GIN5" and "GIN6" are the proprietary grades of Hitachi Metals America, Ltd.

consistent with economic reality. New section 771(33)(F) defines affiliation to include additional control relationships. The legislative history also makes clear that the statute does not require majority ownership for a finding of control, but rather encompasses both legal and operational control. See SAA at 838. A minority ownership interest, examined within the context of the totality of the circumstances, is a factor that we will consider in determining if one party is operationally in control of another. See *Certain Cut-To-Length Carbon Steel Plate From Brazil*, 62 FR 18486, 18490 (April 15, 1998). Additionally, evidence of actual control is not required. See 19 C.F.R. 351.102(b).

Because, in essence, company A is wholly-owned by Thyssen AG, Thyssen AG has both legal and operational control over company A. With regard to AST, Thyssen AG has a substantial minority equity interest in AST of 33.75 percent. Under the prior statutory provision, parties were deemed "related" if any person or persons owned or controlled 20 percent or more of the voting power or control in both entities. See *Queen's Flowers de Colombia v. United States*, 981 Fed. Supp. 617 (CIT 1997); section 771(13) of the Act. As Congress intended the Department to analyze a broader range of relationships under section 771(33) of the Act, a minority equity interest of over 20 percent presumably would represent control pursuant to section 771(33)(F) of the Act.

However, for our preliminary determination we also examined the shareholder agreement forming KTS and other evidence which leads us to conclude that, coupled with its 33.75 percent interest in AST, Thyssen AG has the ability to control AST. Because most of this evidence is proprietary in nature, we are not able to discuss this evidence publicly. See *Memorandum: Affiliation of AST and Thyssen AG, and AST and A Thyssen Affiliate (Company A)*. In summary, we can say that this evidence indicates that Thyssen AG retained the ability to control the production and pricing decisions of AST through the joint venture company KTS. Because both company A and AST are controlled by Thyssen AG within the meaning of section 771(33)(F), we have preliminarily found that AST and company A are affiliated. We therefore have requested company A to provide all of its downstream sales of subject merchandise made during the POI. On December 11, 1998, the Department received this downstream U.S. sales information. However, due to the timing of the receipt of this information, we were not able to review these

transactions for the preliminary determination.

Additionally, on December 11, 1998, AST reported that it could not compel two additional resellers in the U.S. market, to which it claims to have only an indirect minority interest, to report their downstream sales information. Based on the fact that such sales constitute an insignificant portion of total U.S. sales (exclusion of which from the margin calculation, therefore, is non-distortive), for the purposes of the preliminary determination, we have calculated a margin which does not account for these sales.

#### Fair Value Comparisons

To determine whether sales of SSSS from Italy to the United States were made at less than fair value, we compared the export price (EP) or constructed export price (CEP) to the normal value (NV), as described in the "export price and constructed export price" and "normal value" sections of this notice, below. In accordance with section 777A(d)(1)(A)(i) of the Act, we calculated weighted-average EPs and CEPs for comparison to weighted-average NVs.

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX v. United States*, 1998 WL 3626 (Fed Cir.). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using constructed value (CV) as the basis for foreign market value when the Department finds home market sales to be outside the "ordinary course of trade." The URAA amended the definition of sales outside the "ordinary course of trade" to include sales below cost. See Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the "ordinary course of trade." Instead, the Department will use sales of similar merchandise, if such sales exist. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison.

#### Transactions Investigated

For its home market sales, and U.S. sales which AST claimed were CEP, AST reported the date of invoice as the date of sale, stating that the invoice date represented the date when the essential

terms of sale, *i.e.*, price and quantity, are definitively set, and that up to the invoice date, these terms were subject to change. For sales AST claimed were EP ("back-to-back") sales, AST reported the date of shipment from Italy as the date of sale because this is when final price and quantity terms are determined. However, petitioners alleged that the sales documentation provided by AST does not appear to support AST's claims that price and quantity may change at any time between the order acceptance date (confirmation date) and the shipment date. Given the relevance of petitioners comments and the nature of marketing these types of made-to-order products, petitioners claims have some merit. Consequently, on October 23, 1998, the Department requested that AST provide additional information concerning the nature and frequency of price and quantity changes occurring between the date of order and date of invoice for sales in both markets. In addition, we requested that AST report all sales during the POI for which AST had issued an order acceptance, in addition to those sales invoiced during the POI. AST reported this information in its November 12, 1998 submission.

Normally, the Department has a preference of using invoice date as the date of sale. However, the Department may use a date other than invoice date if a different date better reflects the date on which the material terms of the sale were set. *Final Determination of Sales at Less Than Fair Value: Polyvinyl Alcohol from Taiwan*, 61 FR 14067 (March 29, 1996); 19 C.F.R. 351.401(i). For AST's home market sales, AST submitted information that indicates that date of invoice is the appropriate date of sale. See *Analysis Memo for AST* at page 2. Therefore, we have preliminarily determined that the date of invoice is the appropriate indicator of the actual date of sale for all home market sales, because price and quantity are subject to negotiation until that time. For the U.S. sales that are EP (direct) sales, we have preliminarily determined that the shipment date is the appropriate indicator of the actual date of sale because price and quantity are subject to negotiation until the date of shipment, a date preceding the invoice date. For the U.S. sales that are CEP sales, we used the invoice date as the date of sale, because either the material terms of sale had not been fixed prior to invoice or the sale did not occur prior to importation.

#### Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced by the respondent covered by

the description in the "Scope of the Investigation" section, above, and sold in the home market during the POI, to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics and reporting instructions listed in the Department's questionnaire.

In its supplemental response dated November 12, 1998, AST defined "side cuts" as the 1¼ inch trimmings that result from slitting mill-edge coils with a width of 50½ inches. AST stated that side cuts are second quality merchandise because "the mill edges often containing surface defects (like edge laminations) and variable width." For "pup coils", AST stated that during inspection, it sometimes is determined that the ends of the coil require cropping due to defects (such as cross breaks) that cannot be corrected. AST stated that the resulting coils generated from cropping the ends are pup coils. Although AST has claimed that pup coils and side cuts are non-prime merchandise, because AST provided no evidence to support its claim that side cuts and pup coils were damaged or defective, thus making them non-prime, the Department has treated both side-cuts and pup-coils as prime merchandise for the purposes of this preliminary determination. Data regarding the quality of side-cuts and pup-coils will be reviewed at verification.

#### Level of Trade

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

To determine whether NV sales are at a different LOT than EP or CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer in the comparison market. If the comparison-market sales are at a different LOT, and the difference affects price

comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the differences in the levels between NV and CEP sales affects price comparability, we adjust NV under section 773(A)(7)(B) of the Act (the CEP offset provision). See *Certain Cut-to-Length Carbon Steel Plate from South Africa, Notice of Final Determination of Sales at Less Than Fair Value*, 62 FR 61731 (November 19, 1997).

In this investigation, AST did not request a level-of-trade (LOT) adjustment. To ensure that no such adjustment was necessary, in accordance with principles discussed above, we examined information regarding the distribution systems in both the United States and Italian markets, including the selling functions, classes of customers and selling expenses for AST.

For its home market sales, Acciai Speciali Terni SpA ("AST") reported: (1) three customer categories—industrial end-users, white goods manufacturers, and service centers/distributors; and (2) two channels of distribution—direct factory sales (sales of prime merchandise) and warehouse sales (the majority of which are sales of non-prime merchandise). AST claimed two levels of trade in the home market based solely on the quality of subject merchandise, *i.e.*, prime vs. non-prime.

In reviewing AST's LOT in the home market, we asked AST to identify the specific differences and similarities in selling functions and/or support services between all phases of marketing to customers in the home market and the United States. As mentioned above, AST identified two channels of distribution in the home market based entirely on whether the sale to the customer was of prime or non-prime merchandise. For sales of prime merchandise, AST sold to all three of the customers mentioned above, and provided the same selling functions to each of the customers. Specifically, AST provided freight and delivery, credit, technical services, and warranties. For sales of mostly non-prime merchandise sold from AST's warehouse, AST performed the same selling functions (except for providing warranties) as for sales of its prime merchandise, but AST also engaged in the additional selling activities of advertising of its mostly non-prime merchandise and

maintaining inventory of this merchandise at AST's warehouse. Because the selling activities engaged in by AST were identical for each customer when selling prime merchandise and were identical for each customer when selling mostly non-prime from inventory, and because the selling activities for both groups of sales were very similar, we preliminarily determine that there exists one level of trade for AST's home market sales.

For its U.S. sales, AST reported that its affiliated importer, AST USA, made sales to two customer categories—industrial end-users and service centers and through three channels of distribution—direct factory sales, warehouse sales, and consignment sales. AST claimed two levels of trade in the U.S. market based solely on the quality of subject merchandise: (1) non-prime; and (2) prime. We examined the claimed selling functions performed by AST and its U.S. affiliate, AST USA, for all U.S. sales. For sales made directly to the unaffiliated U.S. customer (EP sales), AST performed the same selling functions; it provided technical and warranty services, arranged for freight and delivery, and extended credit. For sales made to AST USA (CEP sales) as adjusted, AST engaged in identical selling activities, providing technical and warranty services, freight and delivery and credit. In making sales from warehousing and consignment sales, AST USA engaged in the additional activities of advertising and maintaining inventory.

In order to determine whether NV was established at a different LOT than CEP sales, we examined stages in the marketing process and selling functions along the chains of distribution between AST and its home market customers. We compared the selling functions performed for home market sales with those performed with respect to the CEP transaction, after deductions for economic activities occurring in the United States, pursuant to section 772(d) of the Act, to determine if the home market levels of trade constituted more advanced stages of distribution than the CEP level of trade.

Based on our analysis of the chains of distribution and selling functions performed for sales in the home market and CEP and EP sales in the U.S. market, we preliminarily find that both are made at the same stage in the marketing process and involve identical selling functions. Therefore, we preliminarily determine that AST made sales in the home market at the same level of trade as existed in the U.S. market for both CEP sales and EP sales.

Thus, an LOT adjustment in this case is not appropriate.

For matching purposes, we have matched AST's sale of prime merchandise in the home market to sales of prime merchandise in the U.S. market. We have also matched sales of non-prime merchandise in the home market to sales of non-prime merchandise in the U.S. market.

#### **Export Price And Constructed Export Price**

Based on the Department's practice, we examine several criteria in determining whether sales made prior to importation through a sales agent to an unaffiliated U.S. customer are EP sales, including: (1) whether the merchandise was shipped directly from the manufacturer to the unaffiliated customer; (2) whether this was the customary commercial channel between the parties involved; and (3) whether the function of the U.S. selling agent was limited to that of a "processor of sales-related documentation" and a "communications link" with the unaffiliated U.S. buyer. Where all three criteria are met, indicating that the activities of the U.S. selling agent are ancillary to the sale, the Department has regarded the routine selling functions of the exporter as merely having been relocated geographically from the country of exportation to the United States where the sales agent performs them, and has determined the sales to be EP sales. Where one or more of these conditions are not met, indicating that the U.S. sales agent is substantially involved in the U.S. sales process, the Department has classified the sales in question as CEP sales. See *Viscose Rayon Staple Fibre From Finland: Final Results of Antidumping Duty Administrative Review*, 63 FR 32820, 32821 (June 16, 1998); *Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Review*, 63 FR 13170, 13174 (March 18, 1998).

AST has classified certain sales transactions which are further-processed in the United States as EP sales. However, we preliminarily determine that such sales are CEP sales. Evidence establishes that AST USA contracts with unaffiliated processors to provide substantial value-added services for these sales. This necessarily entails significant expenses which are added to the price originally negotiated between the unaffiliated customer and AST. Under such circumstances, the characterization of a further-manufactured sale as an export price sale would ignore these substantial

expenses related to the sale of subject merchandise. Clearly, AST USA's role with regard to these sales is more than an ancillary one. Moreover, the Department has always analyzed further manufacturing in the context of CEP, pursuant to section 772(d) of the Act. See *Notice of Final Determination of Sales At Less Than Fair Value: Large Printing Presses and Components Thereof, Whether Assembled or Unassembled, From Germany*, 61 FR 38166, 38174 (July 23, 1996).

For the remaining sales which AST has classified as EP sales, our examination leads us to preliminarily conclude that these are EP sales. AST ships the subject merchandise directly to the unaffiliated U.S. customer and we have no evidence to indicate this is other than a customary commercial channel of trade between the parties. Additionally, the facts demonstrate that it is AST which sets the terms of the sale in Italy prior to importation. AST USA merely provides a communication link and processes sales-related documentation by transmitting the U.S. customer's request to AST and receiving AST's response either confirming or not confirming the order.

Finally, AST classified sales of subject merchandise sold by AST USA after importation and for the account of AST USA as CEP sales. These were referred to by AST as warehouse or consignment sales.

We calculated EP, in accordance with section 772(a) of the Act, for those sales where the merchandise was sold to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise warranted, based on the facts of record. We based EP on the packed, delivered tax and duty unpaid price to unaffiliated purchasers in the United States. We made adjustments to starting price for billing adjustments, alloy surcharges, and skid charges, and for movement expenses in accordance with section 772(c)(2)(A) of the Act; these included, where appropriate, freight equalization charges, foreign inland freight, foreign brokerage and handling, international freight and foreign inland insurance.

We calculated CEP, in accordance with subsections 772(b) of the Act, for those sales to the first unaffiliated purchaser that took place after importation into the United States, or otherwise warranted the application of CEP, as discussed above. We based CEP on the packed, delivered, duty paid or delivered prices to unaffiliated purchasers in the United States. We made adjustments to the starting price for price-billing errors, where

applicable. In addition, we made adjustments to the starting price by adding alloy surcharges, and skid charges where appropriate. We also made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act; these included, where appropriate, freight equalization charges, foreign inland freight, marine insurance, U.S. customs duties, U.S. inland freight, foreign brokerage and handling, international freight, foreign inland insurance, and U.S. warehousing expenses. In accordance with section 772(d)(1) of the Act, we deducted those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (credit costs, warranty expenses and technical selling expenses), inventory carrying costs, and indirect selling expenses. With regard to indirect selling expenses, we have included the expense associated with AST's two U.S. shipments that were damaged in transit, before reaching the United States. We calculated the expense as the difference between the original value of the merchandise (as represented by the amount of the insurance claim) less the insurance revenue received for these two shipments, and the less value of the subsequent sale of this material as secondary merchandise. For CEP sales, we also made an adjustment for profit in accordance with section 772(d)(3) of the Act.

#### **Affiliated-Party Transactions and Arm's-Length Test**

Sales to affiliated customers in the home market not made at arm's-length prices were excluded from our analysis because we considered them to be outside the ordinary course of trade. See 19 CFR 351.102. To test whether these sales were made at arm's-length prices, we compared on a model-specific basis the starting prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, and packing. Where, for the tested models of subject merchandise, prices to the affiliated party were on average 99.5 percent or more of the price to the unaffiliated parties, we determined that sales made to the affiliated party were at arm's length. See 19 CFR 351.403(c). In instances where no price ratio could be constructed for an affiliated customer because identical merchandise was not sold to unaffiliated customers, we were unable to determine that these sales were made at arm's-length prices and, therefore, excluded them from our LTFV analysis. See *Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled*

*Carbon Steel Flat Products from Argentina* ("Certain Cold-Rolled Carbon Steel Flat Products from Argentina") (58 FR 37062, 37077 (July 9, 1993); See, *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Emulsion Styrene-Butadiene Rubber from Brazil*, 63 Fed. Reg. 59509 (Nov. 8, 1998), citing to *Certain Cold-Rolled Carbon Steel Flat Products from Argentina*. Where the exclusion of such sales eliminated all sales of the most appropriate comparison product, we made a comparison to the next most similar model.

#### **Normal Value**

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

#### **Home Market Viability**

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product was equal to or greater than five percent of the aggregate volume of U.S. sales) we compared AST's volume of home market sales of the foreign like product to the volume of its U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Because AST's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable. Therefore, we have based NV on home market sales in the usual commercial quantities and in the ordinary course of trade.

#### **Cost of Production Analysis**

Based on the information contained in the timely cost allegation filed by the petitioners on June 10, 1998, the Department found reasonable grounds to believe or suspect that AST's sales of the foreign like product were made at prices which represent less than the cost of production, in accordance with section 773(b)(1) of the Act. As a result, the Department initiated an investigation to determine whether AST made home market sales during the POI at prices below their respective cost of production (COP)s, within the meaning of section 773(b) of the Act. See *Initiation*. Before making any fair value comparisons, we conducted the COP analysis described below.

#### **Calculation of COP**

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of AST's cost of materials and fabrication for the foreign like product, plus an amount for home market general and administrative expenses (SG&A), interest expenses, and packing costs. We relied on the COP data submitted by AST in its Section D cost questionnaire response, except in the following instances where we determined the reported costs were improperly valued: (1) We recalculated AST's G&A rate using fiscal year data as reported on its 1997 audited financial statement; (2) we recalculated AST's financial expense rate by excluding its financial income offset because it failed to support that it was generated from short-term sources. In addition, we recalculated the cost of sales denominator to include certain non-operating income and expense items.

#### **B. Test of Home Market Prices**

We compared the weighted-average COP figures for AST to home market sales prices of the foreign like product, as required under section 773(b) of the Act, in order to determine whether sales had been made at prices below their COPs. In determining whether to disregard home market sales made at prices less than the COP, we examined whether (1) within an extended period of time, such sales were made in substantial quantities, and (2) at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. On a product-specific basis, we compared COP to home market prices, less any applicable movement charges, billing adjustments, alloy surcharges, skid charges, rebates, and direct and indirect selling expenses.

#### **C. Results of the COP Test**

Pursuant to section 773(b)(2)(C)(i) 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", pursuant to section 773(b)(2)(c)(i), and within an extended period of time, in accordance with section 773(b)(2)(B) of the Act. In such cases, because we compared prices to weighted-average COPs for the POI, we also determined

that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, pursuant to section 773(b)(2)(D) of the Act. Therefore, we disregarded the below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product. For those U.S. sales of SSSS for which there were no comparable home market sales in the ordinary course of trade, we compared the CEP to CV in accordance with section 773(a)(4) of the Act.

#### **D. Calculation of Constructed Value**

In accordance with section 773(e)(1) of the Act, we calculated CV based on the sum of AST's cost of materials, fabrication, selling, general, and administrative expenses (SG&A), interest expenses, profit, and packing. In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by AST in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in Italy. For CV, we made the same adjustments described in the COP section above.

#### **Price-to-Price Comparisons**

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

For AST's home market sales of products that were above COP, we calculated NV based on FOB or delivered prices to unaffiliated customers or prices to affiliated customers that we determined to be at arm's-length prices. We made adjustments for price billing errors, discounts and rebates where appropriate. We made deductions, where appropriate, for foreign inland freight, warehousing, and foreign inland insurance expenses pursuant to section 773(a)(6)(B) of the Act. In addition, we made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise, as well as for differences in circumstances of sale (COS) in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made COS adjustments, where appropriate, for imputed credit, warranty expenses, and technical expenses. Finally, we deducted home market packing costs and added U.S. packing costs in accordance with section 773(a)(6)(A) and (B) of the Act.

#### **Price-to-CV Comparisons**

In accordance with section 773(a)(4) of the Act, we based NV on CV if we were unable to find a home market

match of such or similar merchandise. Where appropriate, we made adjustments to CV in accordance with section 773(a)(8) of the Act. For comparisons to EP, we made COS adjustments by deducting the weighted average home market selling expenses and adding U.S. direct selling expenses. Where we compared CV to CEP, we deducted from CV the average home market direct selling expenses.

#### Currency Conversion

We made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank, in accordance with section 773A(a) of the Act.

#### Critical Circumstances

On October 30, 1998, petitioners alleged that there is a reasonable basis to believe or suspect that critical circumstances exist with respect to imports of SSSS from Italy. In accordance with 19 CFR 351.206(c)(2)(i), since this allegation was filed at least 20 days prior to the Department's preliminary determination, we must issue our preliminary critical circumstances determination not later than the preliminary determination.

Section 733(e)(1) of the Act provides that if a petitioner alleges critical circumstances, the Department will determine that critical circumstances exist if there is a reasonable basis to believe or suspect that: (A)(i) there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise; or (ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at less than its fair value and that there was likely to be material injury by reason of such sales; and (B) there have been massive imports of the subject merchandise over a relatively short period.

To determine that there is a history of dumping of the subject merchandise, the Department normally considers evidence of an existing antidumping duty order on SSSS in the United States or elsewhere to be sufficient. Petitioners did not provide any information indicating a history of dumping of SSSS from Italy. Furthermore, we investigated the existence of antidumping duty orders on SSSS from Italy in the United States or elsewhere and found none. We were also unable to find other information that would have indicated a history of dumping of SSSS from Italy.

In determining whether an importer knew or should have known that the exporter was selling subject merchandise at less than fair value and thereby causing material injury, the Department normally considers margins of 25 percent or greater for EP sales to impute knowledge of dumping and of resultant material injury. In this investigation, we have not calculated estimated dumping margins of 25 percent or greater. With regard to CEP sales, the Department normally considers margins of 15 percent or greater sufficient to impute knowledge of dumping and material injury. In this investigation, we have not calculated estimated dumping margins of 15 percent or greater. Based on these facts, we determine that the first criterion for ascertaining whether critical circumstances exist is not satisfied. Therefore, we preliminarily determine that there is no reasonable basis to believe or suspect that critical circumstances exist with respect to exports of SSSS from Italy by AST. We have not analyzed the shipment data for AST to examine whether imports of SSSS have been massive over a relatively short period. (see e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Collated Roofing Nails From Korea*, 62 FR 25895, 25898 (May 12, 1997)). Regarding all other exporters, because we do not find that critical circumstances exist for AST, we determine that critical circumstances do not exist for companies covered by the "All Others" rate. We will make a final determination concerning critical circumstances when we make our final determination in this investigation, if that final determination is affirmative.

#### Verification

As provided in section 782(i) of the Act, we will verify all information relied upon in making our final determination.

#### The All Others Rate

Because the Department investigated one company (AST), we used AST's margin in this investigation as the all-others rate. As a result, the all-others rate is 6.25 percent.

#### Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to suspend liquidation of all imports of subject merchandise that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct the Customs Service to require a cash deposit or the posting of a bond equal to the weighted-

average amount by which the NV exceeds the export price, as indicated below. These suspension-of-liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin
AST .....	6.25%
All Others .....	6.25%

#### ITC Notification

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

#### Public Comment

Case briefs or other written comments may be submitted to the Assistant Secretary for Import Administration no later than fifty days after the date of publication of this notice, and rebuttal briefs, limited to issues raised in case briefs, no later than fifty-five days after the date of publication of this preliminary determination. A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. This summary should be limited to five pages total, including footnotes. In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. Tentatively, any hearing will be held fifty-seven days after publication of this notice at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, at a time and location to be determined. Parties should confirm by telephone on the date, time, and location of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days of the date of publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. At the hearing, each party may make an affirmative presentation

only on issues raised in that party's case brief, and may make rebuttal presentations only on arguments included in that party's rebuttal brief. See 19 CFR 351.310(c). We will issue our final determination in this investigation no later than 135 days after the date of publication in the **Federal Register** of the preliminary determination.

This determination is issued and published in accordance with sections 733(d) and 777(i)(1) of the Act.

Dated: December 17, 1998.

**Richard W. Moreland,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 98-34464 Filed 12-31-98; 8:45 am]

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-201-822]

#### Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Sheet and Strip in Coils from Mexico

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

**EFFECTIVE DATE:** January 4, 1999.

**FOR FURTHER INFORMATION CONTACT:** Fred Baker or Martin Odenyo, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-2924 or (202) 482-5254, respectively.

#### The Applicable Statute

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

#### Preliminary Determination

We preliminarily determine that stainless steel sheet and strip in coils (SSSS) from Mexico is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733(b) of the Act. The estimated margins of sales at LTFV are shown in the "Suspension of Liquidation" section of this notice.

#### Case History

On June 30, 1998, the Department initiated antidumping duty investigations of imports of SSSS from France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, and the United Kingdom. See *Initiation of Antidumping Duty Investigations: Stainless Steel Sheet and Strip in Coils From France, Germany, Italy, Japan, Mexico, South Korea, Taiwan, and the United Kingdom*, 63 FR 37521 (July 13, 1998) (Initiation Notice). Since the initiation of this investigation the following events have occurred.

In the Initiation Notice, the Department set aside a period for all interested parties to raise issues regarding product coverage. On July 29, 1998, petitioners (Allegheny Ludlum Corp.; J&L Specialty Steel, Inc.; Washington Steel Division of Bethlehem Steel Corporation; United Steelworkers of America, and AFL-CIO/CLC) filed comments proposing clarifications to the scope of these investigations. Also, from July through October 1998, the Department received numerous submissions from petitioners and respondents concerning product coverage.

Petitioners identified Mexinox S.A. de C.V (Mexinox) as the sole producer of the subject merchandise in Mexico. Thus Mexinox is the sole respondent in this investigation. See Memorandum to Joseph Spetrini, dated September 21, 1998, Attachment 7 (Selection of Respondents Memo). On July 21, 1998, the Department also requested comments from petitioners, Mexinox, and the Embassy of Mexico regarding the criteria to be used for model matching purposes. On July 27 and December 3, 1998, Mexinox and petitioners submitted comments on our proposed model matching criteria.

Also, on July 24, 1998, the United States International Trade Commission (the ITC) notified the Department of its affirmative preliminary injury determination in this case.

The questionnaire is divided into five parts; Section A (general information, corporate structure, sales practices, and merchandise produced), Section B (home market or third-country sales), Section C (U.S. sales), Section D (cost of production/constructed value), and Section E (further manufacturing in the United States). The Department issued its antidumping questionnaire to Mexinox on August 3, 1998, requesting that Mexinox respond to Sections A-D. On October 14, 1998, we instructed Mexinox to respond to Section E of the questionnaire.

Mexinox submitted its response to Section A of the questionnaire on September 8, 1998; Mexinox's responses to Sections B through D followed on September 29, and to Section E on November 10, 1998. Petitioners filed comments on Mexinox's Sections A through D responses on October 13, and October 21, 1998. We issued supplemental questionnaires for Section A to Mexinox on October 14, October 29, and November 5, 1998, and for Sections B and C on October 29, 1998. Mexinox responded to our supplemental questionnaires for Section A on October 29, and November 17, 1998, and to our supplemental questionnaires for Sections B and C on November 17, 1998.

On October 6, 1998, petitioners made a timely request for a thirty-day postponement of the preliminary determination pursuant to section 733(c)(1)(A) of the Act. On October 23, 1998, we postponed the preliminary determination until no later than December 17, 1998. See *Stainless Steel Sheet and Strip in Coils From Italy, France, Germany, Mexico, Japan, Republic of Korea, United Kingdom, and Taiwan; Notice of Postponement of Preliminary Determinations in Antidumping Duty Investigations*, 63 FR 56909 (October 23, 1998).

#### Scope of the Investigations

For purposes of this investigation, the products covered are certain stainless steel sheet and strip in coils. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flat-rolled product in coils that is greater than 9.5 mm in width and less than 4.75 mm in thickness, and that is annealed or otherwise heat treated and pickled or otherwise descaled. The subject sheet and strip may also be further processed (e.g., cold-rolled, polished, aluminized, coated, etc.) provided that it maintains the specific dimensions of sheet and strip following such processing.

The merchandise subject to this investigation is classified in the *Harmonized Tariff Schedule of the United States* (HTSUS) at subheadings: 7219.13.00.30, 7219.13.00.50, 7219.13.00.70, 7219.13.00.80, 7219.14.00.30, 7219.14.00.65, 7219.14.00.90, 7219.32.00.05, 7219.32.00.20, 7219.32.00.25, 7219.32.00.35, 7219.32.00.36, 7219.32.00.38, 7219.32.00.42, 7219.32.00.44, 7219.33.00.05, 7219.33.00.20, 7219.33.00.25, 7219.33.00.35, 7219.33.00.36, 7219.33.00.38, 7219.33.00.42,