DEPARTMENT OF COMMERCE

International Trade Administration

[A–588–824]

Certain Corrosion-Resistant Carbon Steel Flat Products From Japan: Preliminary Results of Antidumping Duty Administrative Review

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

ACTION: Notice of preliminary results of the antidumping duty administrative review of certain corrosion-resistant carbon steel flat products from Japan.

SUMMARY: In response to requests from interested parties, the Department of Commerce (''the Department'') is conducting an administrative review of the antidumping duty order on certain corrosion-resistant carbon steel flat products from Japan. This review covers two manufacturers of the subject merchandise. The period of review (''POR'') is August 1, 1997 through July 31, 1998.

We have preliminarily determined that certain sales subject to this review have been made below normal value (''NV''). If these preliminary results are adopted in our final results of this administrative review, we will instruct the U.S. Customs Service to assess antidumping duties based on the difference between the export price (''EP'') and the NV.

EFFECTIVE DATE: August 16, 1999.

FOR FURTHER INFORMATION CONTACT: Doreen Chen, Brandon Farlander, or Rick Johnson, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone: (202) 482–0413, 482–0182, or 482–3818, respectively.

SUPPLEMENTARY INFORMATION:

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (''the Act''), are 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 19 CFR Part 351 (1998).

Background

On July 19, 1993, the Department published in the **Federal Register** (58 FR 37154) the antidumping duty order on certain corrosion-resistant carbon steel flat products from Japan. On August 31, 1998, Nippon Steel Corporation (''*NSC*'') and Kawasaki Steel Corporation (''*KSC*'') requested reviews of their exports to the United States of corrosion-resistant steel. On September 29, 1998, in accordance with section 751 of the Act, we published a notice of initiation of administrative review of this order for the period August 1, 1997 through July 31, 1998 (63 FR 51893).

Under section 751(a)(3)(A) of the Act, the Department may extend the deadline for completion of an administrative review if it determines that it is not practicable to complete the review within the statutory time limit of 365 days. On February 24, 1999, the Department published a notice of extension of the time limit for the preliminary results of this review to August 1, 1999. *See Corrosion-Resistant Carbon Steel Flat Products From Japan: Extension of Time Limit for Preliminary Results of the Antidumping Duty Administrative Review*, 64 FR 9127 (February 24, 1999). Petitioners submitted comments for consideration for the preliminary results for NSC and KSC on July 22, 1999, and July 20, 1999, respectively. The Department is conducting this review in accordance with section 751(a) of the Act.

Scope of Reviews

This review covers flat-rolled carbon steel products, of rectangular shape, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating, in coils (whether or not in successively superimposed layers) and of a width of 0.5 inch or greater, or in straight lengths which, if of a thickness less than 4.75 millimeters, are of a width of 0.5 inch or greater and which measures at least 10 times the thickness or if of a thickness of 4.75 millimeters or more are of a width which exceeds 150 millimeters and measures at least twice the thickness, as currently classifiable in the Harmonized Tariff Schedule of the United States (''HTSUS'') under item numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0090, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.1000, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7212.60.0000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, and 7217.90.5090. Included are flat-rolled products of non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process (*i.e.*, products which have been worked after rolling)—for example, products which have been beveled or rounded at the edges. Excluded are flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (''terne plate''), or both chromium and chromium oxides (''tin-free steel''), whether or not painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating. Also excluded are clad products in straight lengths of 0.1875 inch or more in composite thickness and of a width which exceeds 150 millimeters and measures at least twice the thickness. Also excluded are certain clad stainless flat-rolled products, which are three-layered corrosion-resistant carbon steel flat-rolled products less than 4.75 millimeters in composite thickness that consist of a carbon steel flat-rolled product clad on both sides with stainless steel in a 20%-60%-20% ratio. The HTS item numbers are provided for convenience and Customs purposes. The written description remains dispositive of the scope of this review.

Also excluded are certain corrosion-resistant carbon steel flat products meeting the following specifications: (1) widths ranging from 10 millimeters (0.394 inches) through 100 millimeters (3.94 inches); (2) thicknesses, including coatings, ranging from 0.11 millimeters (0.004 inches) through 0.60 millimeters (0.024 inches); and (3) a coating that is from 0.003 millimeters (0.00012 inches) through 0.005 millimeters (0.000196 inches) in thickness and that is comprised of either two evenly applied layers, the first layer consisting of 99% zinc, 0.5% cobalt, and 0.5% molybdenum, followed by a layer consisting of chromate, or three evenly applied layers, the first layer consisting of 99% zinc, 0.5% cobalt, and 0.5% molybdenum followed by a layer consisting of chromate, and finally a layer consisting of silicate.

Verification

As provided in section 782(i) of the Act, we verified sales information provided by NSC and sales and cost information provided by KSC, using standard verification procedures, including on-site inspection of the

manufacturer's facilities and the examination of relevant sales and financial records. Our verification results are outlined in the public versions of the verification reports, which are on file with the Department in the Central Records Unit, Room B-099.

Transactions Reviewed

In accordance with section 751 of the Act, the Department is required to determine the EP (or Constructed Export Price (''CEP'')) and NV of each entry of subject merchandise.

NSC

On October 9, 1998, respondent requested that it be relieved from reporting certain information, *e.g.*, price adjustments, for home market sales by certain of NSC's affiliated manufacturers. Respondent argued that it should not be required to report such information on sales by these affiliated manufacturers because these sales were not exported to the United States and would not provide the most similar product matches to the subject merchandise under review. Therefore, respondent reported only matching characteristics for these sales.

In addition, for other home market sales by affiliated parties, NSC stated that it was unable to collect sales data from all affiliated resellers. *See* Questionnaire Response, dated December 8, 1998 at p. B–5. For further discussion of NSC's downstream sales, *see* Normal Value (Section C, ''Downstream Sales''), below.

KSC

KSC reported export sales that occurred in only one month and consisted of only prime merchandise. On October 6, 1998, KSC requested that it report sales from only a six-month home market period because KSC's export sales occurred in only one month. On October 20, 1998, we allowed KSC to report sales for a six month period in accordance with section 351.414(e)(2)(ii)–(iii) of the Department's regulations. On November 12, 1998, KSC requested that the Department allow it to report only merchandise similar to U.S. sales. Specifically, KSC requested that it only report sales and cost information for prime merchandise. On November 20, 1998, we granted KSC's requests, subject to verification that its U.S. sale of subject merchandise consisted of only prime merchandise and occurred in only one month.

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced by respondents covered by the description in the ''Scope of the Review'' section of this notice, (*supra*), and sold in the home market during the period of review (''POR''), 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 most similar foreign like product on the basis of the characteristics listed in Appendix V of the Department's September 19, 1998 antidumping questionnaire. In making product comparisons, we matched foreign like products based on the physical characteristics reported by respondents and verified by the Department. Consistent with Department practice, we matched a given U.S. sale to foreign market sales of the next most similar model when all sales of the most comparable model were below cost.

Fair Value Comparisons

To determine whether sales of subject merchandise to the United States were made at less than fair value, we compared the EP to the NV, as described in the ''United States Price'' and ''Normal Value'' sections of this notice. In accordance with section 777A(d)(2) of the Act, we calculated monthly weighted-average prices for NV and compared these to individual U.S. transaction prices.

Level of Trade (''LOT'')

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

To determine whether NV sales are at a different LOT than EP, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different 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. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa,* 62 FR 61731 (November 19, 1997).

NSC

In the present review, NSC claimed that only one LOT existed and did not request a LOT adjustment. To evaluate LOTs, we examined information regarding the distribution systems in both the U.S. and home market, including the selling functions, classes of customer, and selling expenses.

NSC reported one LOT in the home market based on two classes of customers: trading companies and end-users. We examined the reported selling functions and found that NSC provides the same selling functions to its home market customers regardless of channel of distribution. We preliminarily conclude that the selling functions between the reported channels of distribution are sufficiently similar to consider them as one LOT in the comparison market.

NSC stated that it sells to one LOT in the United States: trading companies. We compared the selling functions performed at the home market LOT and the LOT in the United States and found them substantially similar. Of the thirteen selling functions reported for home market sales, twelve of the selling functions were identical to U.S. sales. For a further discussion of the Department's LOT analysis, *see Analysis Memorandum: Preliminary Results of the Antidumping Review of Corrosion-Resistant Carbon Steel Flat Products for NSC (''Analysis Memo: Preliminary Results for NSC''),* (August 2, 1999). Therefore, the Department preliminarily finds that no LOT adjustment is warranted for NSC.

KSC

To evaluate LOTs, we examined information regarding the distribution systems in both the U.S. and home market, including the selling activities, classes of customers, and selling expenses. In the present review, KSC reported two LOTs in the home market and one LOT in the U.S. market. KSC stated that the LOTs in the home market have consistent price differences. Thus, KSC requested an LOT adjustment if sales at different LOTs are compared. In the U.S. market, KSC reported one channel of distribution in the one LOT, *i.e.*, sales through an unaffiliated trading company.

In the home market, KSC reported two channels of distribution in the first LOT:

(1) sales to unaffiliated trading companies; and (2) sales directly to end-users (unaffiliated and affiliated). In both channels of distribution, sales were made by either KSC or its affiliated producer, Kawatetsu Galvanizing Co., Ltd. (''Kawahan''). KSC reported one channel of distribution in the second LOT: sales through KSC's affiliated reseller, Kawasho Corporation (''Kawasho'') to distributors and end-users. These sales were made by both KSC and Kawahan.

For the preliminary results, we disagree with KSC's classification for the above channels of distribution, and have established the following two LOTs in the home market: (1) affiliated and unaffiliated trading companies; and (2) end-users. KSC and Kawahan sold subject merchandise to two types of customers: (1) trading companies (affiliated or unaffiliated), and (2) end-users. These sales represent two different points in the chain of distribution between the producers and the final end-user. That is, in the one instance (sales to trading companies), the subject merchandise passes through the intermediary parties, while in the other case, sales are made without any intervening parties. As a result, these sales to different points in the distribution chain appear to represent different levels of trade in the home market.

The Department then examined whether any differences existed with respect to the selling activities KSC performed in making sales to these two types of customers. Regarding the selling activities with respect to the sales to end-users, KSC and Kawahan conducted the following twelve selling activities: market intelligence, end-user information, end-user contact lead role, marketing services, credit checks, end-user price negotiations, daily issues end-user contact, warehousing, processing, arranging for freight, payment collection, and evaluating warranty claims. KSC and Kawahan's level of involvement in these twelve selling activities was high.

Regarding sales to trading companies, KSC and Kawahan conducted the following nine selling activities to its affiliated trading company: market intelligence, end-user information, end-user contact lead role, marketing services, end-user price negotiations, daily issues end-user contact, warehousing, processing, and evaluating warranty claims. KSC and Kawahan's level of involvement in these nine selling activities was at a low level except for evaluating warranty claims, which was at a high level. KSC and Kawahan conducted the following eleven selling activities to its unaffiliated trading companies: market intelligence, end-user information, end-user contact lead role, marketing services, credit checks, end-user price negotiations, daily issues end-user contact, warehousing, processing, arranging for freight, and evaluating warranty claims. However, KSC and Kawahan's level of involvement in these eleven selling activities was at a low level, except for warehousing, processing, arranging for freight, and evaluating warranty claims, which were at a high level. Based on this information, we find that KSC and Kawahan's selling activities to its trading companies, whether affiliated or unaffiliated, were at the same LOT.

We determined that differences existed with respect to selling activities KSC and Kawahan performed in making sales to these two types of customers. For sales to end-users, KSC and Kawahan's level of involvement for all twelve selling activities was high, whereas, for sales to trading companies (either affiliated or unaffiliated), KSC and Kawahan's level of involvement was in only nine selling activities for the affiliated trading company and eleven selling activities for the unaffiliated trading companies, as noted above. In addition, of these nine selling activities that KSC and Kawahan was involved in for its affiliated trading company, KSC and Kawahan's level of involvement was low for eight selling activities. Finally, of the eleven selling activities that KSC and Kawahan was involved in for its unaffiliated trading companies, KSC and Kawahan's level of involvement was low for seven selling activities.

Based on the different points in the chain of distribution and the differences in selling functions between the trading companies and the end-users, the Department preliminarily finds that two levels of trade exist for KSC's sales in the home market. Furthermore, the U.S. sales were at the same LOT as KSC's home market sales to trading companies.

The Department then checked to determine whether a pattern of consistent price differences existed between the two home market levels of trade. The Department found that no pattern of consistent price differences existed between the home market LOTs by running a pattern of price difference SAS program. Therefore, we did not adjust NV to account for any differences in LOT. For a further discussion of the Department's LOT analysis, *see Analysis Memorandum: Preliminary Results of the Antidumping Review of Corrosion-Resistant Carbon Steel Flat Products for KSC (''Analysis Memo: Preliminary Results for KSC'')* (August 2, 1999).

Date of Sale

It is the Department's current practice normally to use the invoice date as the date of sale; we may, however, use a date other than the invoice date if we are satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale. *See* 19 CFR 351.401(i) (62 FR at 27411).

NSC

For its home market and U.S. sales, NSC reported the date of shipment. NSC stated that the invoice/shipment date best reflects the date on which the material terms of sale are established, and that price and/or quantity can and do change between order confirmation date and invoice/shipment date. To ascertain whether NSC accurately reported the date of sale, the Department requested information concerning the nature and frequency of price and quantity changes occurring between the date of order confirmation and date of invoice. *See* Supplemental Questionnaire for Section A (November 13, 1998).

In its December 11, 1998, December 29, 1998 and February 18, 1999, responses, NSC indicated that there were numerous instances in which the essential terms of sale changed subsequent to the confirmation of the original orders in the U.S. and home markets. NSC reported the percentage of total quantity shipped that had changes in the material terms of sale subsequent to the confirmation of original orders in the U.S. and home markets. *See* December 11, 1998 Supplemental Response at p. 1; Verification Exhibit 1, Revised Exhibit SS–A5 of the February 19, 1999 Supplemental Response; and *Analysis Memo: Preliminary Results for NSC* (August 2, 1999).

At verification, we examined NSC's selling practices and found that it records sales in its financial records by date of invoice/shipment. We reviewed several sales observations for which the price and quantity changed subsequent to the original order. We reviewed and confirmed the accuracy of NSC's reported percentage of the number of sales that had material changes in terms of sale subsequent to the order confirmation. We are satisfied that the date of invoice/shipment best reflects the date on which material terms of sale were established for NSC's U.S. and home market sales. Therefore, the Department is preliminarily using the dates of sales reported by NSC.

KSC

For its home market and U.S. sales, KSC reported the date of invoice/shipment as the date of sale. KSC stated that the invoice/shipment date best reflects the date on which the material terms of sale are established and that price and/or quantity can and do change between order confirmation date and invoice/shipment date. To ascertain whether KSC accurately reported the date of sale, the Department requested information concerning the nature and frequency of price and quantity changes occurring between the date of order confirmation and date of invoice. *See* Supplemental Questionnaire for Section A dated November 13, 1998.

In its December 4, 1998 and March 22, 1999 supplemental questionnaire responses, KSC indicated that there were numerous instances in which material terms of sales, such as price and quantity, changed subsequent to the confirmation of the original orders in the U.S. and home markets. KSC reported the percentages of orders which had a change in the material terms of sale after the order confirmation date (*see* KSC's March 22, 1999 Supplemental Questionnaire Response at p. 6–7) and the percentages of home market sales of subject merchandise that were revised after shipment (*Id.* at pp. 9–10; *Sales Verification Exhibit (''SVE'') 37).* As this involves proprietary information, *see Analysis Memo: Preliminary Results for KSC* (August 2, 1999).

At verification, we examined KSC's selling practices and found that KSC records sales in its financial records by date of invoice/shipment. We reviewed several sales observations for which the price and quantity changed subsequent to the original order. We reviewed and confirmed the accuracy of KSC's reported percentage of the number of sales that had material changes in terms subsequent to the order confirmation. We are satisfied that the date of invoice/shipment best reflects the date on which material terms of sales were established for KSC's U.S. and home market sales. Therefore, the Department is preliminarily using the dates of sales reported by KSC.

United States Price

For calculation of the price to the United States, we used EP because the subject merchandise was sold prior to importation, directly or indirectly to the first unaffiliated purchaser in the United States and CEP was not otherwise warranted.

NSC

The Department calculated EP for NSC based on packed, prepaid or delivered prices to customers in the United States. We made adjustments to the starting price, net of billing adjustments, for movement expenses (foreign and U.S. movement, brokerage and handling, and U.S. Customs duties), in accordance with section 772(c)(2) of the Act.

KSC

The Department calculated EP for KSC based on packed, prepaid or delivered prices to customers in the United States. We made adjustments to the starting price, net of billing adjustments, for movement expenses (foreign and U.S. movement, brokerage and handling, and U.S. Customs duties), in accordance with section 772(c)(2) of the Act.

Normal Value

After testing home market viability and whether home market sales were made at prices that were below the cost of production, we calculated NV as noted in the ''Price-to-Price Comparisons'' and ''Price-to-CV Comparison'' sections of this notice. In addition, in accordance with section 773(a)(1)(B)(i) of the Act, where possible, we based NV on sales at the same level of trade (''LOT'') as the U.S. price. *See* the Level of Trade section above.

A. Home Market Viability

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

B. Arm's Length Test

Sales to affiliated customers in the home market not made at arm's length prices (if any) 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 for each company, we compared, on a model-specific basis, the prices of sales to affiliated and unaffiliated customers net of all applicable discounts, rebates, billing adjustments, 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 unaffiliated parties, we determined that sales made to the affiliated party were at arm's length and used those sales in determining NV. *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 Notice of Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products from Argentina,* 58 FR 37062, 37077 (July 9, 1993). Where the exclusion of such sales eliminated all sales of the most appropriate comparison product, we made a comparison to the next most similar product.

C. Downstream Sales

Pursuant to section 351.403 of the Department's regulations, the Department does not normally require the reporting of downstream sales if total sales of the foreign like product by a firm to all affiliated customers account for five percent or less of the firm's total sales of the foreign like product. The questions concerning the reporting of downstream sales are complicated, and the resolution of such questions depends on a number of considerations, including the nature of the merchandise sold to and by the affiliate, the volume of sales to the affiliate, the levels of trade involved, and whether sales to affiliates were made at arm's length. *Id.* In addition, the Department normally will not require the respondent to report the affiliate's downstream sales unless the sales to the affiliate fail the arm's length test. *Id.* The Department believes that imposing the burden of reporting small numbers of downstream sales often is not warranted, and that the accuracy of determinations generally is not compromised by the absence of such sales. *Id.*

As discussed below, after examining the data placed on the record, the Department has preliminarily determined that for both NSC and Kawasaki, there are sufficient matches

of sales in the home market, and that the downstream sales in question account for less than five percent of each firm's total home market sales of subject merchandise. Thus, for purposes of these preliminary results, the Department has allowed this limited reporting for downstream sales since we found adequate home market matches to U.S. sales.

NSC

In its response to the questionnaire, NSC stated that it was unable to collect sales data from all affiliated resellers. *See* Questionnaire Response, dated December 8, 1998 at p. B–5. (As this involves proprietary information, *see Analysis Memo: Preliminary Results for NSC,* August 2, 1999.) Thus, NSC only reported sales by one affiliated reseller. *Id.* The Department requested that NSC further explain its selection methodology for reporting sales by affiliated resellers. *See* Second Supplemental Questionnaire dated November 13, 1998 at p. 1. NSC elaborated concerning its inability to report sales, its methodology in reporting certain transactions and the impact of reporting resales on the dumping margin. *See* Second Supplemental Questionnaire Response dated December 11, 1998 at pp. 4–5. Based on these responses, for the preliminary results, we have used the data as provided by NSC for the purposes of establishing NV.

KSC

KSC stated that it was not able to report all affiliated downstream sales information, because neither KSC nor its affiliates maintain the necessary information. *See* KSC's March 22, 1999 Supplemental Response, page 21. As reported by KSC, KSC/Kawahan sells to Kawasho Corporation (''Kawasho''), who then sells the product to affiliated processors/distributors. At verification, we examined documentation for these transactions. However, as reported by KSC, when the affiliated processor/distributor sells the merchandise back to Kawasho (after further processing the merchandise), most of the affiliated processors/distributors do not maintain information to link these sales to the prior purchases from Kawasho. Thus, KSC provided limited downstream sales made by its affiliated reseller, Kawasho (specifically, KSC reported downstream sales for only one of Kawasho's affiliated processors/distributors); and reported sales made by Kawahan (itself a producer of subject merchandise affiliated with KSC) to its affiliates and non-affiliates, but did not report Kawahan's affiliates' sales to its downstream customers. KSC was unable to report Kawahan's affiliates' sales to its downstream customers because Kawahan cannot recover any product characteristic data to link its affiliates' sales to Kawahan's sale to its affiliates. In addition, one of Kawahan's affiliated customers refused to provide its downstream sales data, despite Kawahan's request. At verification, we examined KSC's ability to report the sales from affiliates of Kawahan and Kawasho. *See* Sales Verification Report for additional information. We also reviewed, at verification, Kawasaki's claim that Kawasho's total sales of KSC- and Kawahan-produced subject merchandise to affiliated resellers are less than five percent of total home market sales, as stated in KSC's October 28, 1998, section A response, page A–3. We found no discrepancies. *See SVE 31,* Analysis of Kawasho's Sales to Affiliated Resellers. Because this issue includes proprietary information, *see Analysis Memo: Preliminary Results for KSC* for further discussion. Based on these responses, for the preliminary results, we have used the data as provided by KSC for the purposes of establishing NV.

D. Cost of Production (COP) Analysis

For the class or kind of merchandise under review, the Department disregarded sales below the cost of production (''COP'') in the last completed review as of the date of the issuance of the antidumping questionnaire for NSC (*Certain Corrosion-Resistant Carbon Steel Flat Products Final Results of Antidumping Duty Administrative Review,* 64 FR 12951 (Mar 16, 1999) and for Kawasaki (*Certain Corrosion-Resistant Carbon Steel Flat Products from Japan:(see Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Corrosion-Resistant Carbon Steel Flat Products from Japan: Final Determinations of Sales at Less Than Fair Value),* 58 FR 37154 (July 9, 1993)). We therefore had reasonable grounds to believe or suspect, pursuant to section 773(b)(2)(A)(ii) of the Act, that sales of the foreign like product under consideration for the determination of NV in this review may have been made at prices below the COP. Pursuant to section 773(b)(1) of the Act, we initiated COP investigations of sales by respondents in the home market.

1. Calculation of COP

We compared each respondent's sales of the foreign like product in the home market with each respondent's model-specific COP figure for the POR. In accordance with section 773(b)(3) of the Act, we calculated each respondent's COP based on the sum of the costs of materials and fabrication employed in producing the foreign like product plus SG&A expenses and all costs and expenses incidental to placing the foreign like product in condition packed and ready for shipment. In our COP analysis, we used each respondent's home market sales and COP information provided in its questionnaire responses, with the following exceptions. First, where KSC reported more than one cost for the same CONNUM, we calculated a single weighted-average cost for each CONNUM using the reported production quantities. Second, we revised variable cost of manufacturing because KSC double counted labor costs. Third, we revised KSC's financial expense rate. *See Analysis Memo: Preliminary Results for KSC* for further information.

2. Test of Home Market Prices

After calculating each respondent's COP, we tested whether home market sales of subject merchandise were made at prices below COP and, if so, whether the below-cost sales were made within an extended period of time in substantial quantities and at prices that did not permit recovery of all costs within a reasonable period of time. Because each individual price was compared to the POR average COP, any sales that were below cost were also not at prices which permitted cost recovery within a reasonable period of time. We compared model-specific COPs to the reported home market prices less any applicable movement charges, discounts, and rebates.

3. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's sales of a given model were at prices less than COP, we did not disregard any below-cost sales of that model because the below-cost sales were not made in substantial quantities within an extended period of time. Where 20 percent or more of a respondent's sales of a given model during the POR were at prices less than the weighted-average COPs for the POR, we disregarded the below-cost sales because they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act, and were at prices which would not permit recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

4. Calculation of CV

In accordance with section 773(e)(1) of the Act, we calculated CV based on the sum of respondent's cost of materials, fabrication, SG&A, including interest expenses, and profit. We calculated the COP included in the calculation of CV as noted above, in the ''Calculation of COP'' section of the notice. In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country.

Price-to-Price Comparisons

NSC

For those models for which there was a sufficient quantity of sales at prices above COP, we based NV on home market prices to unaffiliated purchasers, as well as affiliated purchasers passing the arm's length test, in accordance with 19 CFR 351.403. Home market prices were based on the packed, ex-factory or delivered prices to unaffiliated purchasers in the home market.

We calculated the starting price net of discounts, and other sales adjustments, where applicable. We made adjustments, where applicable, for packing and movement expenses in accordance with sections 773(a)(6)(A) and (B) of the Act. We also made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise pursuant to section 773(a)(6)(C)(ii) of the Act and for differences in circumstances of sale (''COS'') in accordance with 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. For comparison to EP, we made COS adjustments by deducting home market direct selling expenses (credit, royalties, discounts, and warranty expenses, where applicable) and adding U.S. direct selling expenses (credit, warranty, royalties, and discounts, where applicable).

KSC

For those models for which there was a sufficient quantity of sales at prices at or above COP, we based NV on home market prices to unaffiliated purchasers, as well as affiliated purchasers passing the arm's length test, in accordance with 19 CFR 351.403. Home market prices were based on the packed, ex-factory or delivered prices to unaffiliated purchasers in the home market.

We calculated the starting price net of billing adjustments and rebates, where applicable. We made adjustments, where applicable, for packing and movement expenses in accordance with sections 773(a)(6)(A) and (B) of the Act. We also made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise pursuant to section 773(a)(6)(C)(ii) of the Act and for differences in circumstances of sale (''COS'') in accordance with 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. For comparison to EP, we made COS adjustments by deducting home market direct selling expenses (credit, advertising, royalties, technical service, and warranty expenses, where applicable) and adding U.S. direct selling expenses (credit, and advertising expenses, where applicable).

Price-to-CV Comparisons

For price-to-CV comparisons, if necessary, we made adjustments to CV in accordance with section 773(a)(8) of the Act.

Preliminary Results of Review

As a result of our review, we preliminarily determine the weighted-average dumping margins for NSC and KSC, for the period August 1, 1997 through July 31, 1998, to be as follows:

Manufacturer/exporter	Time period	Margin (percent)
NSC	08/01/97–07/31/98	2.48
KSC	08/01/97–07/31/98	1.32

Parties to the proceeding may request disclosure within five days of the date of publication of this notice. Any interested party may request a hearing within 30 days of publication. Any hearing, if requested, will be held 37 days after the date of publication or the first business day thereafter. Case briefs from interested parties may be submitted not later than 30 days after the date of publication of this notice. Rebuttal briefs, limited to issues raised in those briefs, may be filed not later than 35 days after the date of publication of this notice. The Department will publish the final results of this administrative review, including its analysis of issues raised in the case and rebuttal briefs, not later than 120 days after the date of publication of this notice.

Upon issuance of the final results of review, the Department shall determine, and the U.S. Customs Service shall assess, antidumping duties on all appropriate entries. In accordance with 19 CFR 351.212(b), we calculated an importer-specific ad valorem duty assessment rate based on the ratio of the total amount of antidumping duties calculated for the examined sales to the total customs value of the sales used to calculate those duties. This rate will be assessed uniformly on all entries of that particular importer during the POR.

Furthermore, the following deposit requirements will be effective for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided by section 751(a) of the Act: (1) the cash deposit rate for NSC and KSC will be that established in the final results of review (except that if the rate is zero or *de minimis, i.e.,* less than 0.5 percent, no cash deposit rate will be required for that company); (2) for previously investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a previous review, or the original less than fair value (''LTFV'') investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; (4) the cash deposit rate for all other manufacturers or exporters will continue to be the ''all others'' rate of 40.19 percent, established in the LTFV investigation for corrosion-resistant steel products from Japan (*see Final Determination*, 58 FR 37154 (July 9, 1993)). These requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

Notification of Interested Parties

This notice serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

These results of the administrative review are issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: August 9, 1999.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

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