expand FTZ 182-Site 3 in Fort Wayne and include an additional site in Huntington, Indiana, was filed by the Board on February 5, 1997 (FTZ Docket 6–97, 62 FR 7749, 2/20/97);

Wheareas, notice inviting public comment was given in **Federal Register** and the application has been processed pursuant to the FTZ Act and the Board's regulations; and,

Wheareas, the Board adopts the findings and recommendations of the examiner's report, and finds that the requirements of the FTZ Act and Board's regulations are satisfied, and that the proposal is in the public interest;

Now, Therefore, the Board hereby orders:

The application to expand FTZ 182 is approved, subject to the Act and the Board's regulations, including Section 400.28.

Signed at Washington, DC, this 14th day of October 1997.

Robert S. LaRussa,

Assistant Secretary of Commerce for Import Administration, Alternate Chairman Foreign-Trade Zones Board.

Attest:

John J. Da Ponte, Jr.,

Executive Secretary.

[FR Doc. 97–28313 Filed 10–24–97; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

Foreign-Trade Zones Board

[Order No. 925]

Expansion of Foreign-Trade Zone 17 Kansas City, Kansas, Area

Pursuant to its authority under the Foreign-Trade Zones Act of June 18, 1934, as amended (19 U.S.C. 81a-81u), the Foreign-Trade Zones Board (the Board) adopts the following Order:

Whereas, an application from the Greater Kansas City Foreign Trade Zone, Inc., grantee of Foreign-Trade Zone 17, Kansas City, Kansas, area, for authority to expand FTZ 17 to include two sites in Topeka, Kansas, was filed by the Board on July 24, 1996 (FTZ Docket 61–96, 61 FR 40396, 8/2/96);

Whereas, notice inviting public comment was given in **Federal Register** and the application has been processed pursuant to the FTZ Act and the Board's regulations; and,

Whereas, the Board adopts the findings and recommendations of the examiner's report, and finds that the requirements of the FTZ Act and Board's regulations are satisfied, and that the proposal is in the public interest;

Now, Therefore, the Board hereby orders:

The application to expand FTZ 17 is approved, subject to the Act and the Board's regulations, including Section 400.28, and subject to the standard 2,000-acre activation limit for the overall zone project.

Signed at Washington, DC, this 14th day of October 1997.

Robert S. LaRussa,

Assistant Secretary of Commerce for Import Administration, Alternate Chairman, Foreign-Trade Zones Board.

Attest:

John J. Da Ponte, Jr.,

Executive Secretary.

[FR Doc. 97–28310 Filed 10–24–97; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

Foreign-Trade Zones Board

[Order No. 926]

Grant of Authority For Subzone Status Pepsico of Puerto Rico, Inc. (Soft Drink Flavoring Concentrates) Cidra, Puerto Rico

Pursuant to its authority under the Foreign-Trade Zones Act of June 18, 1934, as amended (19 U.S.C. 81a-81u), the Foreign-Trade Zones Board (the Board) adopts the following Order:

Whereas, by an Act of Congress approved June 18, 1934, an Act ''To provide for the establishment * * * of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes,'' as amended (19 U.S.C. 81a-81u) (the FTZ Act), the Foreign-Trade Zones Board (the Board) is authorized to grant to qualified corporations the privilege of establishing foreign-trade zones in or adjacent to U.S. Customs ports of entry;

Whereas, the Board's regulations (15 CFR Part 400) provide for the establishment of special-purpose subzones when existing zone facilities cannot serve the specific use involved;

Whereas, an application from the Commercial and Farm Credit and Development Corporation for Puerto Rico, grantee of Foreign-Trade Zone 61, for authority to establish special-purpose subzone status for the soft drink flavoring concentrate manufacturing plant of PepsiCo of Puerto Rico, Inc., in Cidra, Puerto Rico, was filed by the Board on August 22, 1996, and notice inviting public comment was given in the **Federal Register** (FTZ Docket 66–96, 61 FR 47870, 9–11–96); and,

Whereas, the Board adopts the findings and recommendations of the examiner's report, and finds that the requirements of the FTZ Act and Board's regulations are satisfied, and that approval of the application is in the public interest;

Now, Therefore, the Board hereby grants authority for subzone status at the PepsiCo of Puerto Rico, Inc., plant in Cidra, Puerto Rico (Subzone 61J), at the location described in the application, subject to the FTZ Act and the Board's regulations, including § 400.28.

Signed at Washington, DC, this 14th day of October 1997.

Robert S. LaRussa,

Assistant Secretary of Commerce for Import Administration, Alternate Chairman, Foreign-Trade Zones Board.

Attest:

John J. Da Ponte, Jr.,

Executive Secretary.

[FR Doc. 97–28311 Filed 10–24–97; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–809]

Final Results of Antidumping Duty Administrative Review and Partial Termination of Administrative Review: Circular Welded Non-Alloy Steel Pipe From the Republic of Korea

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

ACTION: Final Results of Antidumping Duty Administrative Review and Partial Termination of Administrative Review: Circular Welded Non-Alloy Steel Pipe From the Republic of Korea.

SUMMARY: On July 9, 1997, the Department of Commerce (the Department) published the preliminary results of its administrative review of the antidumping duty order on circular welded non-alloy steel pipe from the Republic of Korea. The review covers the following seven manufacturers/exporters: Dongbu Steel Co., Ltd. (Dongbu), Korea Iron Steel Company (KISCO), Korea Steel Pipe Co., Ltd. (KSP), Pusan Steel Pipe Co., Ltd. (PSP), Dongkuk Steel Mill Co., Ltd. (DSM), Dong-Il Steel Mfg. Co., Ltd. (Dong-Il), and Union Steel Co., Ltd. (Union). The period of review (POR) is April 28, 1992, through October 31, 1993. We are also terminating the review for one company, Hyundai Pipe Co., Ltd., because the sole request for review of

this company has been withdrawn in a timely manner.

Based on our analysis of the comments received, we have made changes, including corrections of certain inadvertent programming and clerical errors, to the margin calculations. Therefore, the final results differ from the preliminary results. We have listed the final weighted-average dumping margins for the reviewed firms below in the section entitled ''Final Results of the Review.''

EFFECTIVE DATE: October 27, 1997.

FOR FURTHER INFORMATION CONTACT: Michael Panfeld, Mark Ross, Thomas Schauer, or Richard Rimlinger, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–4733.

SUPPLEMENTARY INFORMATION:

The Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Tariff Act), are references to the provisions in effect as of December 31, 1994. In addition, unless otherwise indicated, all citations to the Commerce Department's regulations are to the regulations as codified at 19 CFR part 353 (1997).

Background

On July 9, 1997, the Department published in the **Federal Register** the preliminary results of its administrative review of the antidumping duty order on circular welded non-alloy steel pipe from the Republic of Korea (62 FR 36761). We gave interested parties an opportunity to comment on our preliminary results. No interested party requested a hearing.

We are terminating the review with respect to Hyundai Pipe Co., Ltd. On March 16, 1994, the petitioners withdrew their request for review. No other interested party requested a review of this firm.

Scope of Review

The merchandise subject to this review is circular welded non-alloy steel pipe and tube, of circular cross-section, not more than 406.4mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), or end finish (plain end, beveled end, threaded, or threaded and coupled). These pipes and tubes are generally known as standard pipes and tubes and are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing applications, such as for fence tubing, and as structural pipe tubing used for framing and as support members for reconstruction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and other related industries. Unfinished conduit pipe is also included in this order.

All carbon-steel pipes and tubes within the physical description outlined above are included within the scope of this review except line pipe, oil-country tubular goods, boiler tubing, mechanical tubing, pipe and tube hollows for redraws, finished scaffolding, and finished conduit. In accordance with the Department's *Final Negative Determination of Scope Inquiry on Certain Circular Welded Non-Alloy Steel Pipe and Tube from Brazil, the Republic of Korea, Mexico, and Venezuela* (61 FR 11608, March 21, 1996), pipe certified to the API 5L line-pipe specification and pipe certified to both the API 5L line-pipe specifications and the less-stringent ASTM A–53 standard-pipe specifications, which falls within the physical parameters as outlined above, and entered as line pipe of a kind used for oil and gas pipelines is outside of the scope of the antidumping duty order.

Imports of these products are currently classifiable under the following Harmonized Tariff Schedule (HTS) subheadings: 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, and 7306.30.50.90. Although the HTS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Non-Shippers

DSM and Dong-Il responded that they had no shipments of the subject merchandise during the POR. We confirmed this information for both companies with the U.S. Customs Service. Therefore, we have terminated the review with respect to these companies.

Sales Below Cost in the Home Market

The Department performed a test to determine whether respondents sold pipe in the home market at prices below the cost of production (*see Preliminary Results of Antidumping Duty Administrative Review; Circular Welded Non-Alloy Steel Pipe from the Republic of Korea,* 62 FR 36761, 36763 (July 9, 1997) (*Korean Pipe Preliminary Results*)). As a result of that test, the Department disregarded sales below cost for Dongbu, KSP, PSP, and Union in its analysis for these final results.

Analysis of Comments Received

A. General Issues

Comment 1: Petitioners allege that the Department deducted home market commissions twice from home market price in calculating foreign market value.

PSP, KSP, and Dongbu assert that because they reported no commissions this issue is moot.

Department's Position: We agree with petitioners that we inadvertently deducted commissions twice from the home market price in the preliminary results. We changed the final results computer programs to correct this error. However, because no respondents reported home market commissions, this change does not affect the calculation of the dumping margins.

Comment 2: The petitioners contend that, in the less-than-fair-value (LTFV) investigation, the Department recognized that the conversion factors the respondents used to translate actual to theoretical weight were flawed due to wall build-up in the production process (citing *Final Determination of Sales at Less than Fair Value; Circular Welded Non-Alloy Steel Pipe from the Republic of Korea,* 57 FR 42942, 42945 (September 17, 1992) (*Korean Pipe LTFV Final*)). The petitioners contend that the Department used the conversion factors in the LTFV investigation because it could not find evidence that the wall build-up resulted in understated costs. In the instant review, the petitioners again argue that the Department should deny an adjustment to cost of production/constructed value (COP/CV) based on differences between actual and theoretical weight because (1) the respondents have not demonstrated the accuracy of this adjustment and (2) the conversion factors are not consistent with sales data in each response.

The petitioners maintain that the Department attempted to resolve this matter by requesting sample cost calculations on a length basis. However, the petitioners contend that the respondents have frustrated this review by reporting a calculated pipe length based on a theoretical-weight factor rather than on actual length. Petitioners further contend that, due to the spot-check nature of verifications, it is unlikely that the Department would find systematic understatement of costs. Contrary to the Department's statements in its notice of preliminary results that it has not found understated costs at

verification, the petitioners point to proprietary information the Department collected at verification that they contend proves that wall build-up does occur and, therefore, argue that the Department should not accept respondents' adjustment.

In addition, the petitioners contend that the data are inconsistent and unreliable. The petitioners assert that they conducted an analysis of the two weight bases (standard actual and theoretical) which respondents (other than KISCO) used to report home market sales and costs. According to petitioners, they used the standard actual weight, theoretical weight and reported length for each sale to calculate a conversion factor in their analysis. Petitioners conclude from their analysis of the data that the reported conversion factor differs from the calculated conversion factor for a significant number of sales and models. Moreover, the conversion factors respondents used to convert weight for COP and CV calculations differed from those conversion factors they used to report sales on a model-specific basis and, according to petitioners, the range of differences is great. Finally, petitioners note that some reported conversion factors used for both sales and costs fall outside industry specifications and, therefore, are inaccurate. Thus, notwithstanding their argument that respondents' failed to meet their burden of proof, petitioners conclude that the Department cannot rely on respondents' data.

The petitioners argue that it is the Department's long-standing practice that a party requesting an adjustment must prove its entitlement. Asserting that respondents have failed to properly justify this adjustment and have failed to respond properly to the Department's requests for information, petitioners contend that the Department should deny the adjustment as best information available (BIA) under section 776(c) of the Tariff Act.

KISCO, Union, Dongbu, PSP, and KSP disagree with the petitioners. Union maintains that the Department correctly converted its calculations to a theoretical basis. The other respondents claim that the Department should perform the same conversion in calculating CV and, in the case of Dongbu, KSP, and PSP, in performing the sales-below-cost test by using costs converted to a theoretical-weight basis. Respondents argue that the Department should use theoretical costs since the Department will compare these costs to sales reported on a theoretical-weight basis.

Respondents disagree with the petitioners' conclusion that the Department should not convert actual-weight-basis costs because respondents have failed to justify this adjustment. Respondents argue that they record U.S. sales, home market sales, and production costs on different quantitative bases. Respondents point to a March 18, 1994, letter to interested parties from the Division Director of the Department's Office of Antidumping Compliance that instructed respondents to report sales and costs on a theoretical-weight basis. Respondents argue that the theoretical-weight conversion factor is not an adjustment *per se*. Rather, they contend, it is merely an attempt to express production costs, U.S. sales, and home market sales on a consistent basis so that the Department can make an apples-to-apples comparison. Therefore, respondents assert, the burden of proof normally associated with, for example, a circumstance-of-sale adjustment is not applicable.

Dongbu, PSP, and KSP disagree with the petitioners' conclusion that their data are inaccurate. Respondents argue that the Department has verified that the record-keeping and methodologies respondents have used in recording and reporting costs were accurate and that petitioners have failed to point out any verification results that show otherwise. Moreover, respondents claim that the petitioners' analysis of conversion factors used in the sales and cost databases is flawed. Respondents maintain that, while they have reported the sales data on a standard-actual-weight basis, they have reported the costs on an actual-weight basis. Furthermore, respondents note that standard-actual weight varies from actual weight when input coil thicknesses vary and that the record demonstrates this fact. Moreover, respondents contend that the record does not support petitioners' assumption that respondents reported costs on a standard-actual-weight basis. Therefore, respondents conclude, any analysis of these two types of conversion factors would likely yield differences.

KISCO states that, although the petitioners characterize this as an issue common to all respondents, they failed to identify any errors in KISCO's reporting methodologies.

Department's Position: We disagree with the petitioners in part. The use of theoretical-weight-based sales prices and costs is not a price or cost adjustment *per se* but a conversion to a different basis that allows an apples-to-apples comparison. While respondents kept and reported their COP on an actual-weight basis, respondents made and reported their U.S. sales on a theoretical-weight basis. Therefore, a conversion is necessary to make equitable comparisons.

While petitioners contend that the conversion factors respondents used to translate actual weight to theoretical weight were flawed due to wall build-up in the production process, we have verified the cost data KSP, PSP, and Union submitted. We found that, with some minor exceptions we noted in the respective verification reports, these respondents' costs and conversion factors were reported properly. Our verifications generally demonstrated that these respondents captured and properly assigned all costs to the subject merchandise produced during the POR. Wall build-up would only have significance if respondents first calculated a per-metric-ton or per-kilogram cost for the steel inputs and then applied those costs to a theoretical or standard-actual weight of the pipe. In this instance, respondents assigned the cost of one entire coil input to all of the merchandise produced from that input, which is generally one type of pipe. Thus, because all costs were captured and because the methodologies respondents used to assign costs are consistent with the methodologies they used to record production (*i.e.*, actual weight), the possibility that wall buildup may occur is inconsequential. Finally, with the exception of the aberrant conversion factors noted below, we found at verification that respondents calculated the reported conversion factors properly by dividing the total actual weight of production of each model by the theoretical weight of that production.

We also agree with respondents that certain differences among the weight-conversion factors result when different coil-input thicknesses are used to make the same product. This is acceptable within industry standards so long as the ultimate product meets specification tolerances. Moreover, the petitioners' analysis is flawed because it compares standard-actual weight to theoretical weight. Respondents provided the conversion factors to convert their reported actual-weight-basis costs to theoretical weight (the basis of the United States prices (USPs)). The standard-actual weights that petitioners use in their analysis are not the actual weight but rather the standard weight respondents used in Korea, much as theoretical weight is a standard weight used in the United States. Therefore, some weight-conversion disparities are not unusual on a sale-by-sale or sale-to-

cost basis. However, we have conducted our own analysis of the reported conversion factors and agree with the petitioners that certain individual factors are aberrational.

Using the maximum industry-standard tolerance of wall thickness, we calculated the minimum conversion factor allowable in various grades of standard pipe. We found that respondents reported model-specific conversion factors that fall below this minimum. For more information, see the final results analysis memoranda, dated October 2, 1997. Because it is impossible to produce a pipe that is within the industry-standard tolerances yet has a conversion factor below this minimum, we consider certain reported conversion factors to be aberrational and unverifiable under 19 CFR 353.37(a)(2). As such, we have disregarded these aberrational factors and applied BIA in accordance with section 776(c) of the Tariff Act. As BIA, we examined the conversion factors each respondent reported for the 1992 and/or 1993 costs for the same model. If these factors were both below the minimum, as BIA we used the minimum possible conversion factor. If one factor was below and the other factor was above the minimum, as BIA we used the higher of the two.

Comment 3: Petitioners contend that, except for Union, all respondents paid duties on an actual-weight basis while they received duty drawback on a theoretical-weight basis. Petitioners assert that the duty drawback respondents received per unit of pipe therefore exceeds the duties they paid on the inputs for the pipe because the theoretical weight is greater than the actual weight. Citing section 772(d)(1)(B) of the Tariff Act, petitioners state the Department is to increase the USP on each sale by ''the amount of import duties imposed by the country of exportation which have been rebated'' on each of those sales. Citing *Avestra Sheffield Inc. et. al.* v. *United States*, 17 CIT 1212, 1216 (1993) (*Avestra Sheffield*), petitioners continue that the Department is not required to accept the full amount of the duty drawback respondents claimed (as it does not reflect the actual duties paid) even if it finds the two conditions of the duty-drawback test enumerated in *Far East Machinery Co.* v. *United States*, 699 F. Supp. 309, 312 (1988) (*Far East Machinery*) have been met (test set forth below). Thus, to ensure that the duty drawback reflects the duties paid on materials actually incorporated into the exported product, petitioners insist that the Department limit respondents' reported duty drawback by the amount of actual duties paid.

Dongbu, KSP, and PSP contend that the Department's long-standing practice has been to grant a full duty-drawback adjustment when (1) the import duty and the pertinent rebate are directly linked to, and dependent upon, one another, and (2) the company claiming the adjustment can demonstrate that there were sufficient imports of raw materials to account for the duty drawback received on the exports of the manufactured product (citing *Far East Machinery* at 311). Dongbu, KSP, and PSP assert that they met both required conditions and are therefore entitled to their full duty-drawback claim.

Dongbu, KSP, and PSP further contend that, by arguing that respondents receive more duty drawback than duties paid, the petitioners are making a claim of subsidy. Citing *Far East Machinery*, respondents contend that the Department cannot address subsidy allegations in an antidumping proceeding.

Finally, Dongbu, KSP, and PSP argue that the petitioners are requesting a level of precision required neither by common sense nor by law and that only a reasonable, not an absolute, standard of precision is required. Respondents contend that the petitioners' reliance on *Avestra Sheffield* is misplaced because, respondents assert, that case required only that the foreign producer demonstrate that it has imported a sufficient amount of raw materials to account for the drawback received upon exportation to satisfy the second condition.

KISCO argues that petitioners did not identify any evidence in the record that supports this assertion with respect to its duty-drawback claim. KISCO further contends that the Department's verification directly contradicts the petitioners' assertion, in which the Department determined that KISCO paid the duties for which KISCO received duty drawback and that KISCO accurately quantified duty drawback in its response.

Department's Position: We agree with petitioners in part. Section 772(d)(1)(B) of the Tariff Act directs us to add to USP ''the amount of any *import duties* imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the exportation of the subject merchandise to the United States' (emphasis provided). Thus, the plain language of the statute directs us to add to USP the amount of import duties paid and rebated. That is, we are not to add the *rebate* but rather the *duties* that have been rebated. Therefore, if the rebate received is greater than the duties paid, we are to increase USP only by the amount of the actual duties paid.

While it is true that the Court of Appeals for the Federal Circuit (CAFC) ruled in *Far East Machinery* that, if petitioners ''are arguing impliedly that the * * * export rebate system * * * results in excessive rebates because of lack of adequate controls, such an allegation is properly made in the context of a countervailing duty case, not the present antidumping suit,'' the CAFC continued in its decision to state ''[n]onetheless, ITA is not limited to accepting the full value of the ''rebate'' as an adjustment * * * even if there is some linkage and even if the requisite import duties were paid on suitable goods. That is, in deciding what the proper adjustment should be when the linkage is broad-based ITA may make its own determination as to how much of the rebate reflects actual cost elements of the product under investigation, that is, how much actually represents drawback.'' See Far East Machinery at 313–14. Thus, even if a respondent meets both parts of the duty-drawback test set forth in *Far East Machinery*, which all respondents in this case did, we are only required to adjust the USP for the amount of drawback applicable to the inputs actually used, whereas respondents received revenue pursuant to a drawback claim based on theoretical weight, which, because it exceeds the actual weight of the merchandise, includes an amount of drawback not attributable to the actual input or duties paid on that input. The second part of the test entitles respondents to a ''duty drawback adjustment to U.S. price [up to] the amount of import duty actually paid.'' *See Far East Machinery* at 312.

We examined the record and determined that petitioners' comment applies only to duty drawback received under the ''fixed-rate'' duty drawback provision and not an ''individual-transaction'' duty-drawback provision. We found that, when respondents received duty drawback under the individual-transaction duty-drawback provision, companies received duty drawback based on the duties actually paid on the input of the exported product. In the fixed-rate duty-drawback provision of Korean law, companies merely needed to demonstrate that they had sufficient imports of the input to cover the exports of the finished merchandise and that they paid duties on the imports of the input. Respondents were not required to demonstrate to the Korean government that the amount of the drawback claim did not exceed the amount of duties paid. We also found that companies

receiving duty drawback under the fixed-rate provision paid duties on the basis of the actual weight of inputs imported but received drawback on the basis of the theoretical weight of merchandise exported to the United States. Because theoretical weight is generally greater than actual weight, fixed-rate drawback calculated on a theoretical-weight basis is greater than that calculated on an actual-weight basis. Therefore, we conclude that the reported duty drawback of respondents who received the drawback under the fixed-rate provision exceeds the duties actually paid. Furthermore, we note that respondents did not dispute the fact that they received duty drawback in excess of the duties they paid on imports but, rather, disputed whether this fact is relevant.

We also disagree with respondents' argument that the petitioners are requesting a level of precision that neither common sense nor law requires. While it is true that we require a reasonable, rather than an absolute, standard of precision, the result in this case is a reasonable and logical one, as has also been demonstrated by the interpretation of this provision of the Tariff Act by the Court of International Trade (CIT) in various cases. *See Far East Machinery, Avesta Sheffield,* and *Carlisle Tire & Rubber Co.* v. *United States,* 657 F. Supp. 1287 (March 16, 1987).

Finally, we agree with KISCO that it did not receive duty drawback in the manner that petitioners describe. KISCO received duty drawback under the individual-transaction provision. Thus, the petitioners' comment is not applicable to KISCO.

Accordingly, where respondents reported that they received duty drawback under the fixed-rate provision, we adjusted the drawback claim to reflect the amount of duty drawback actually paid by multiplying the reported duty drawback by the factor converting theoretical weight to actual weight. Because KSP and PSP received drawback under the fixed-rate provision for the entire POR, we made this adjustment for all sales. *See* KSP's April 7, 1994, submission at page 55 and PSP's April 11, 1994, submission at page 64. Because Dongbu received drawback under the fixed-rate provision prior to April 1993, we made this adjustment for all of Dongbu's sales made prior to April 1993 and have not adjusted the drawback that Dongbu reported for sales made as of April 1993. *See* verification report for Dongbu dated March 18, 1997, at page 8. Because KISCO and Union did not receive duty drawback under the fixed-rate provision, no adjustment to these companies' reported duty drawback was necessary.

Comment 4: The petitioners argue that the Department should treat indirect purchase price (IPP) sales which Union, KISCO, PSP, KSP, and Dongbu made as exporter's sales price (ESP) sales. The petitioners assert that the Department uses four criteria to test when a sale can be classified as purchase price: (1) The sale transaction must occur prior to importation; (2) the merchandise in question is shipped directly from the manufacturer to the unrelated buyer without being introduced into the inventory of the related selling agent; (3) the transaction represents a customary commercial channel for sales of this merchandise between the parties involved; and (4) the related agent in the United States acts only as a processor of sales-related documentation and a communication link with the unrelated U.S. buyer. Petitioners assert that respondents have not met two of these criteria and, therefore, their sales to U.S. affiliates do not qualify as purchase price transactions.

First, the petitioners contend that, generally, the U.S. subsidiaries of the respondents take title to the merchandise in Korea through a bill of lading and relinquish title when the merchandise clears the U.S. Customs Service. Thus, the petitioners argue, the merchandise enters the affiliate's inventory and, therefore, the transactions do not meet the second criterion.

Second, the petitioners allege that the affiliates act as more than just a processor of documents. With slight variations in each company's factual situation, petitioners argue generally that the affiliates purchase the merchandise from the manufacturers and obtain a letter of credit to pay the manufacturers. Thus, the petitioners conclude, the affiliates incur carrying costs until they receive payment from the U.S. customers. Petitioners also contend that the affiliates incur the obligation to pay U.S. Customs duties, marine insurance, and U.S. brokerage and handling expenses and they carry accounts receivables on their books until their U.S. customers settle their accounts. Therefore, the petitioners contend, the affiliates incur the risk of extending credit to their U.S. customers and bear the expenses of carrying accounts receivables. The petitioners argue that these circumstances lead to the conclusion that the affiliates perform substantive functions beyond the simple ''processing of documents'' criteria outlined in the Department's purchase price test.

Dongbu, Union, PSP, and KSP argue that the sales-related activities mentioned by the petitioners, such as incurring expenses, taking physical and legal ownership, and obtaining and extending credit, ring hollow when compared with the record evidence and Departmental and judicial precedents. Moreover, the respondents argue that the petitioners fail to provide a citation to support their position that carrying merchandise in a merchandise-in-transit account equals physical possession or holding merchandise in inventory.

Respondents, citing *Certain Corrosion-Resistant Carbon Steel Flat Products from Korea; Final Results of Antidumping Duty Administrative Reviews (Carbon Steel from Korea),* 61 FR 18547, 18562 (April 26, 1996), argue that, even assuming that legal control of the merchandise temporarily passes to the U.S. affiliate to facilitate transportation, this constitutes a routine selling function because the sale occurs prior to importation, thus satisfying one of the Department's four factors to meet purchase price status. Respondents also argue that the factual situation regarding the relationships and selling activities of the respondents' affiliates are nearly identical to those in *Certain Cold-Rolled and Corrosion Resistant Carbon Steel Flat Products from Korea; Final Results of Antidumping Duty Administrative Reviews (Carbon Steel from Korea II*), 62 FR 18404, 18423 (April 15, 1997), and in fact involved two of the same companies. In that case, respondents contend, the Department classified these sales as purchase price sales.

Respondents also refer to recent judicial precedents on this subject. For example, respondents point out that the CIT has upheld the classification of sales as purchase price sales in circumstances where the related U.S. company undertook activities similar to, or even more extensive than, those in this instance (citing, *e.g., Outokumpu Copper Rolled Products* v. *United States,* 829 F. Supp. 1371, 1379–1380 (CIT 1993), *E.I. du Pont de Nemours & Co., Inc.* v. *United States,* 841 F. Supp. 1237, 1248–50 (CIT 1993), and *Zenith Electronics Corp.* v. *United States,* Consol. Ct. No. 88–07–00488, Slip Op. 94–146 (CIT) (*Zenith*)).

KISCO asserts that the record does not support petitioners' points. KISCO claims that the Department's verification report confirms that KISCO's exported merchandise is shipped directly to the unrelated U.S. customer without entering the inventory of its U.S. affiliate, Dongkuk International Inc. (DKA). Moreover, KISCO claims that DKA is merely a processor of sales documents. KISCO

concludes that sending invoices, receiving payment, and arranging for U.S. Customs Service clearance are precisely the types of activities routinely performed by U.S. affiliates in IPP situations.

Department's Position: We disagree with petitioners that we should treat the sales made through the U.S. affiliates and claimed as IPP sales as ESP sales. Whenever companies make sales prior to the date of importation through an affiliated sales entity in the United States, we classify these sales as purchase price sales if the following considerations apply: (1) The manufacturer shipped the subject merchandise directly to an unrelated buyer without the merchandise being introduced into the inventory of the related shipping agent; (2) direct shipment from the manufacturer to the unrelated buyer is the customary channel of the sales transaction between the parties involved; and (3) the related selling agent in the United States acts only as a processor of sales-related documentation and a communication link with the unrelated U.S. buyer. *See, e.g., Final Determination of Sales at Less than Fair Value; Certain Stainless Steel Wire Rods from France,* 58 FR 68865, 68868 (December 29, 1993), and *Granular Polytetrafluoroethylene Resin from Japan; Final Results of Antidumping Duty Administrative Review,* 58 FR 50343, 50344 (September 27, 1993).

The Department first developed this test in response to the CIT's decision in *PQ Corporation* v. *United States,* 652 F. Supp. 724, 733–35 (CIT 1987). The test is used to classify transactions involving exporters and their U.S. affiliates, and the Department has routinely applied this test in its determinations. *See, e.g., Zenith.*

Petitioners do not dispute that the companies made the sales prior to exportation. Nor do the petitioners dispute that this is a customary channel of distribution. Therefore, the precondition that these sales are made prior to importation and one of the three considerations for classifying the sales as purchase price sales are not at issue. Thus, we must only determine whether respondents shipped the merchandise directly to the unaffiliated U.S. customer without entering merchandise into the affiliate's inventory and whether the affiliate acted as more than a processor of documents and a communications link.

We agree with respondents that the merchandise does not enter the inventory of the U.S. affiliate. The terms of sale for these transactions are ex-dock, duty-paid. In these circumstances, respondents transfer the merchandise to the unaffiliated U.S. customer immediately after clearing U.S. Customs. Although the affiliate may temporarily take title to the merchandise, this amounts to a simple accounting entry. The existence of a ''merchandise-in-transit'' account in the affiliates'' accounting records does not indicate that the merchandise enters the affiliates' inventory.

We also agree with respondents that neither the nature nor the scope of their affiliates' selling activities in the United States exceed those types of activities that one would expect an exporter to undertake in connection with IPP sales. Based on the respondents' narrative explanation of the sales process and our verification of the U.S. sales, we conclude that the respondents' U.S. affiliates did not control the sales-negotiation process or perform other significant selling functions; rather, they acted as a communication link passing on the sales documents from the parent to the U.S. unaffiliated customer. The types of activities which the petitioners allege constitute an active role do not constitute substantial selling activities. The U.S. affiliate's role is to function as a processor of paperwork, not perform significant selling functions. *See Carbon Steel from Korea.* Therefore, as in many similar instances, we consider these sales to be purchase price transactions.

Comment 5: Petitioners allege that respondents in this proceeding directly paid or reimbursed antidumping duties within the meaning of § 353.26 (a) of the Department's regulations. To account for reimbursement, petitioners assert that, in calculating assessment and duty deposit rates for the final results, the Department must deduct from USP the amount of antidumping duties determined to be due on sales made through respondents' affiliated importers.

In support of their reimbursement allegations, petitioners cite to sales-process and terms-of-sale descriptions on the record in this review. Petitioners assert that these descriptions imply that respondents control both the prices their affiliated importers paid and the prices their affiliated importers charge to unrelated U.S. customers. Petitioners contend that this price control and the existence of ''duty paid'' terms of sale allow the affiliated importers to compensate for the duties by charging higher prices and, therefore, constitute evidence of reimbursement of antidumping in accordance with § 353.26(a)(1)(ii) of the Department's regulations.

Petitioners make additional claims in support of the reimbursement allegations against PSP, KSP, and Union. For PSP, petitioners claim that a ''contingent liability for antidumping duty deposits'' listed on the company's 1992 financial statement is evidence of reimbursement. Petitioners acknowledge that the charge was reversed in the subsequent year but contend that PSP did not conclusively establish that it did not continue to be liable for the antidumping duties. For KSP, petitioners assert that, because its affiliated importer went bankrupt, KSP will bear any duties the affiliate owes above the amount of antidumping duty deposited. Petitioners contend that this would constitute direct payment of antidumping duties in accordance with § 353.26(a)(1)(i) of the Department's regulations.

Petitioners also contend that the Department should collapse KSP and PSP with their affiliated importers in accordance with certain collapsing factors outlined by the Department in *Certain Cold-Rolled Carbon Steel Flat Products From Korea; Preliminary Results of Antidumping Duty Administrative Review,* 60 FR 65284 (December 19, 1995) (*Steel from Korea 1993/94 Review Preliminary Results*). Citing to record evidence, petitioners contend that two of the collapsing factors outlined by the Department in *Steel from Korea 1993/94 Review Preliminary Results* apply to PSP and KSP and their affiliated importers in this review. According to petitioners, the two collapsing factors are (1) the level of common ownership and (2) intertwined company operations (*e.g.,* sharing of sales information, involvement in production and pricing decisions, sharing of facilities or employees, and transactions between companies). Petitioners assert that, once the Department collapses the parties, it must make a finding of reimbursement, reasoning that in a collapsing situation payment of antidumping duties by the affiliated importer are essentially the same as payment by respondents.

As additional support for a finding of reimbursement against Union, petitioners claim that in examining this respondent in the LTFV investigation of another proceeding the Department found that Union's affiliated importer's role in paying antidumping duty deposits is a relocation of routine selling functions from Korea to the United States. Petitioners claim that such a scenario amounts to reimbursement.

Petitioners conclude with a suggestion of how the Department should apply the reimbursement regulation after making a determination of reimbursement under § 353.26(a) of the Department's regulations. Citing

Color Television Receivers from the Republic of Korea; Final Results of Antidumping Duty Administrative Review, 61 FR 4408, 4411 (February 6, 1996) (*Korean TVS*), petitioners claim that in practice the Department has not always applied the adjustment for reimbursement in accordance with § 353.26(a) of the Department's regulations. In calculating assessment and duty deposit rates for the final results of this administrative review, petitioners request that the Department deduct from USP the amount of antidumping duties determined to be due on sales through respondents' affiliated importers.

Respondents claim that petitioners failed to cite any specific evidence to show that foreign producers have determined to pay the dumping duties of their affiliated importers or that the importers will avoid such payment. Respondents rely on *Torrington Co.* v. *United States,* 881 F. Supp. 622, 631–32 (CIT 1995), as support for the premise that affirmative evidence of record is required to establish reimbursement. Respondents assert that a mere allegation does not rise to the enumerated standard and note that they are not aware of any Departmental findings of reimbursement absent specific evidence of payment of duties (or agreement to pay) on behalf of the importer.

Regarding petitioners' assertion that foreign producers reimbursed affiliated importers for antidumping duties by manipulating the prices charged, respondents contend that the Department has consistently recognized that the existence of such pricing is not evidence of reimbursement, even in situations where the transfer prices between the affiliated parties are so low that they are below cost. Among other court decisions, respondents cite *Torrington Co.* v. *United States,* 960 F. Supp. 339, 342 (CIT 1997), and *INA Walzlager Schaeffler KG* v. *United States,* 957 F. Supp. 251, 269–270 (CIT 1997), in support of this argument.

Next, respondents address petitioners' assertion that the Department should find reimbursement by collapsing the foreign producers with their affiliated importers. Respondents claim that collapsing is irrelevant to the issue of reimbursement. Citing *Certain Circular Welded Non-Alloy Steel Pipe from Mexico; Final Results of Antidumping Duty Administrative Review,* 62 FR 37014, 37023 (July 10, 1997) (*Pipe from Mexico*), and *Brass Sheet and Strip from Sweden; Final Results of Antidumping Duty Administrative Reviews,* 57 FR 2706, 2708 (January 23, 1992), respondents request that the Department continue its practice of treating the foreign producers and their affiliated importers as separate entities for purposes of examining reimbursement.

KSP contends that, contrary to petitioners' claim, the bankruptcy of its affiliated importer does not constitute evidence of reimbursement. KSP notes that the affiliated importer is the importer of record and paid the estimated antidumping deposit for entries subject to review and asserts that, if additional duties are due, U.S. Customs will request payment from the affiliated importer. KSP claims that it is uncertain whether it is under any legal obligation to pay assessments for its affiliated importer and contends that petitioners' claims to the contrary are pure conjecture.

PSP contends that the antidumping duties listed as contingent liabilities on its 1992 financial statements do not support a finding of reimbursement. Citing to the Department's Cost Verification Report, PSP notes that it mistakenly listed the contingent liability on the 1992 financial statements and that it corrected the error in the subsequent year. Since the contingent liability was reversed, PSP contends that there is nothing on the record showing that it is liable for the payment of antidumping duties.

Department's Position: We agree with respondents. Section 353.26 of our regulations requires that, in calculating USP, we deduct the amount of any antidumping duty that the producer or exporter directly paid on behalf of or reimbursed to the importer. The court has ruled that this regulation requires ''evidence beyond mere allegation that the foreign manufacturer either paid the antidumping duty on behalf of the U.S. importer, or reimbursed the U.S. importer for its payment of the antidumping duty.'' *Federal-Mogul Corp.*, 918 F. Supp. at 393 (citing *Torrington Co.* v. *United States,* 881 F. Supp. 622, 631 (CIT 1995)). In *Korean TVs,* the Department specifically stated that it would not presume reimbursement between affiliated parties absent specific evidence that the exporter will pay or reimburse the antidumping duties due. During this review, the Department found neither evidence of an agreement between respondents and their affiliated importers for reimbursement of antidumping duties nor evidence of actual reimbursement of these duties between the two affiliated parties.

Petitioners are correct that PSP had a contingent liability for antidumping duties on its 1992 financial statement. However, we found no evidence that this account was in any way related to the reimbursement of antidumping duties. Furthermore, as noted by respondents, we verified that the entry was an error and that the company corrected the mistake by reversing the entry in the subsequent year.

We have disregarded the allegation of reimbursement based on the claim that KSP will pay duties owed above the amount posted by its bankrupt affiliated importer. First, based upon these final results, KSP's duty assessments will be significantly lower than the amount deposited. Even if the assessment had been higher in the final results, our regulations characterize reimbursement as duties ''paid directly on behalf of the importer.'' We have found no legal authority that would substantiate petitioners' claim that the U.S. Customs Service can pursue the foreign parent for the satisfaction of the bankrupt importer's antidumping duties. Furthermore, petitioners have not cited to a specific example in which the U.S. Customs Service was authorized or obligated to collect duties from the foreign parent of an importer. There is no evidence on the record indicating that the foreign parent is legally obligated to take on the bankrupt importer's duty liabilities. Thus, the petitioners' claim that reimbursement occurs under the current facts has no merit.

Respondents are also correct in stating that collapsing them with their affiliated importers for the purposes of reimbursement, as petitioners advocate, is contrary to our practice. As we have noted before, while we sometimes treat affiliated parties as a single entity for purposes of the margin calculation, we treat such parties as separate entities when examining the question of reimbursement. *See, e.g., Pipe from Mexico* at 37023.

For the forgoing reasons, we do not find reimbursement of antidumping duties within the meaning of § 353.26(a) of our regulations. However, as a further measure to account for reimbursement, § 353.26(b) of our regulations requires that importers provide the U.S. Customs Service a certificate of non-reimbursement before liquidation of entries. If they do not file that certificate, we will presume that reimbursement took place and instruct the U.S. Customs Service to double the antidumping duties due.

Comment 6: Petitioners note that the Department found at the cost verifications of KSP and PSP that these companies had calculated their selling, general and administrative expense (SG&A) factors and interest expense factors using a cost-of-goods-sold denominator that includes packing

expenses. They further note that the cost of manufacturing (COM) respondents used to calculate SG&A and interest expenses does not include packing. Petitioners contend that KSP and PSP have therefore understated their SG&A and interest expenses, and they assert that both Dongbu and Union duplicated this inconsistency. Petitioners argue that the Department should recalculate SG&A and interest expense by multiplying the factor by the sum of reported home market packing expenses and the submitted COM.

KSP, PSP, Dongbu, and Union argue that an adjustment to the reported expense is not warranted. Respondents assert that they followed the Department's standard practice, which, according to respondents, is to calculate these factors by dividing the expenses by the cost of goods sold from the financial statements. Respondents also allege that the Department never informed them that it required a change to the methodology, and they claim that they only learned of this possible change upon receiving the verification reports. Therefore, respondents contend, there is no compelling reason to adjust the data when complete data may or may not be available to make the adjustment. They also contend that if the Department adjusted these factors it would be a minimal adjustment.

Department's Position: We agree with petitioners. While we typically prefer that respondents calculate the SG&A and interest expense factors using data contained in the financial statements, they should have calculated the factor on the same cost basis as the COM to which they applied the factor. As noted by petitioners, respondents' methodology for calculating the factors understates the reported SG&A and interest expenses. To correct this problem, we have added packing expenses to the reported COM for all companies to recalculate SG&A and interest expenses. This ensures that the factors, and the COM to which we apply them, are comparable and corrects the under-reporting of SG&A and interest expenses.

Comment 7: KSP, PSP, Dongbu, and Union assert that the Department inadvertently double-counted selling expenses in the cost test. Respondents note that the Department deducted selling expenses from the home market prices it used in the cost test but then included the expenses in the COP it used in the cost test. Respondents contend that this error can be corrected by not including selling expenses in the COP used in the cost test.

Department's Position: We agree with respondents that we made an error with regard to the home market selling expenses in the cost test. We did not, however, correct the error as respondents suggested but, rather, corrected the error by not deducting selling expenses from the home market prices we used in the cost test. Our correction effectively achieves the same result as the correction respondents suggest by ensuring that we have included and excluded the same expenses in the prices to which we compare the COP.

Comment 8: Respondents claim that the preliminary results of review contained the wrong scope description. Respondents assert that the scope the Department used contains a substantive error in that it includes mechanical tubing, a product that neither the International Trade Commission's affirmative injury determination nor the scope of the antidumping duty order covers. Respondents request that, in the final results of review, the Department publish the scope language set forth in the antidumping duty order.

Petitioners agree that the Department should modify the scope description it published in the preliminary results to exclude mechanical tubing but contend that the scope description requires only a minor modification to achieve this. Petitioners also assert that the scope description should state clearly that standard pipe with mechanical type applications, such as fence tubing, is included in the order.

Department's Position: We agree with respondents and petitioners that the scope description we published in the preliminary results was incorrect. For the final results, we have adopted respondents' suggestion and revised the scope description so that it is consistent with the one published in the notice of antidumping duty order. *See Notice of Antidumping Duty Orders; Certain Circular Welded Non-Alloy Steel Pipe from Brazil, the Republic of Korea (Korea), Mexico, and Venezuela, and Amendment to Final Determination of Sales at Less Than Fair Value; Certain Circular Welded Non-Alloy Steel Pipe from Korea,* 57 FR 49453, 49454 (November 2, 1992). We did not adopt the petitioners' suggestion for correcting the error since the scope description published in the notice of antidumping duty order states clearly that standard pipe used for light load-bearing applications, such as fence tubing, is included in the antidumping duty order.

Comment 9: PSP and KSP contend that the Department miscalculated their ESP assessment rates by dividing total ESP dumping duties due by the entered value of all entries of subject merchandise made by their affiliated importers during the POR. Respondents contend that this methodology is distortive since the total quantity and entered value of all POR subject merchandise entries of their affiliated importers are different from the total quantity and entered value of subject sales used to determine the dumping duties due on ESP transactions. Citing *Color Picture Tubes from Japan; Final Results of Antidumping Duty Administrative Review,* 62 FR 34201, 34211 (June 25, 1997) (*CPTs from Japan*), respondents note that the Department's practice for the calculation of ESP assessment rates is to divide the total dumping duties due for ESP sales by the total entered value of the same ESP sales. To correct the error in the ESP assessment-rate calculation respondents suggest that the Department calculate an average entered value based on the total price and quantity of all POR subject entries made by their affiliated importers, multiply the average entered value by the quantity of reported ESP sales, and use the resulting total entered value for ESP sales as the denominator in the calculation of an ESP assessment rate.

Department's Position: In most cases, we calculate assessment rates on ESP sales by dividing the total dumping margins for the reviewed sales by the total entered value of those reviewed sales for each importer. *See, e.g., Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, Germany, Italy, Japan, Singapore, Sweden, and the United Kingdom; Final Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews,* 61 FR 66472, 66475 (December 17, 1996), and *CPTs from Japan* at 34211. In our questionnaire, we asked respondents to report the entered value of subject merchandise for their ESP sales. In response to our request, PSP and KSP explained that they could not provide this information since they were unable to tie entries to sales. As an alternative reporting methodology, respondents gave us the total quantity and value of all POR subject entries of their affiliated importers. In the preliminary results, we used this information to calculate assessment rates for ESP transactions. However, we have reconsidered our use of this data in calculating assessment rates for the final results.

For situations where the respondent does not know the entered value of the merchandise for ESP sales, it has been our practice to calculate either an approximate entered value or an average per-unit dollar amount of antidumping duty based on all sales examined during

the POR. *See Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany; Final Results of Antidumping Duty Administrative Review*, 56 FR 31692, 31694 (July 11, 1991). For the final results of this administrative review, we have adopted the latter approach for all transactions subject to review (*i.e.*, ESP, direct purchase price, and IPP) because this is a more precise calculation under the circumstances. We calculated a per-unit dollar amount of antidumping duty by dividing the total antidumping duties due for each importer/customer by the corresponding number of units we used to determine the duties due. We will direct Customs to assess the resulting per-ton dollar amount against each ton of merchandise on each of the importers'/customers' subject entries during the review period. This addresses respondents' concerns about the fact that the entered values do not correspond to the total entered value of sales we used to determine the dumping duties due.

Comment 10: Dongbu, PSP, KSP, and Union contend that the model-match hierarchy the Department used in the preliminary results improperly places wall thickness above surface finish (black or galvanized). Respondents argue that the Department's hierarchy defies commercial reality in that it assumes that a customer who is unable to obtain galvanized pipe of a particular wall thickness would find a black pipe of the same wall thickness to be more similar than a galvanized pipe of a different wall thickness. Respondents reason that a customer will only incur the significant additional costs associated with galvanized pipe if there is a sufficient need for the corrosion resistance afforded by the galvanization.

Department's Position: We disagree with respondents' contention that surface finish should be placed above wall thickness in the model-match hierarchy. We acknowledge that galvanization plays a significant role in the matching hierarchy, but we do not agree that it is more important than a dimensional characteristic such as wall thickness. After grade and nominal pipe size, wall thickness is the next most important criterion in the model match. Wall thickness is a significant factor of compatibility in pipe applications, especially when dealing with pipe of a small diameter. For the merchandise subject to this review, we consider surface finish to be less important than the dimensional characteristics because users of this merchandise can freely interchange black and galvanized products if the dimensional characteristics are the same. The significant difference between galvanized and black pipe is that the galvanized pipe will last longer in a corrosive environment.

In this administrative review, the matching hierarchy we applied is consistent with the one we applied in the LTFV investigation. *See Korean Pipe LTFV Final* at 42944. While the hierarchy the Department used in the LTFV investigation is not binding, respondents have not provided sufficient facts to warrant a change. Thus, lacking a compelling reason, we have not changed the matching criteria for the final results. Furthermore, with respect to our ranking of wall thickness above surface finish, adopting this position is in the interest of maintaining a stable and predictable approach to the antidumping duty margin calculations and is consistent with our position on the matching hierarchy for other proceedings involving steel pipe. *See, e.g.*, Appendix VI of the March 22, 1996, questionnaire for the 1994/1995 administrative review of the antidumping duty order on circular welded non-alloy steel pipe and tube from Mexico or Appendix V of the questionnaire for the 1995/1996 administrative review of the antidumping duty order on certain welded carbon standard steel pipes and tubes from India.

B. Company-Specific Issues

KSP

Comment 1: Petitioners argue that the Department should ensure that in KSP's post-verification submission KSP made all corrections the Department identified in KSP's sales and cost verification reports.

KSP contends that it made all such corrections.

Department's Position: We have reviewed the revised computer tape submission which we requested that KSP submit and are satisfied that KSP made all the corrections we identified in our sales and cost verification reports regarding KSP.

Comment 2: Petitioners assert that the Department should reject KSP's U.S. and home market sales response because the information it reported, according to petitioners, is unreliable. Petitioners note that the Department found the following problems: the date of shipment for one U.S. sale and the date of payment for a number of U.S. sales were incorrect; KSP was unable to produce invoices for some transactions through KSP's U.S. affiliate; KSP could not produce its affiliate's bank statements demonstrating payment. Petitioners further observe that KSP's failure to report its home market sales net of returns and inclusion of returned goods in the home market sales database may cause distortion. For these reasons, petitioners contend that the Department should reject KSP's United States and home market sales responses and calculate KSP's margin using BIA.

KSP argues that the petitioners ignored a significant body of evidence on the record that confirms the accuracy of KSP's responses and relied on isolated issues that arose during the sales verification. With regard to the U.S. sales data to which petitioners refer, KSP contends that, while it was unable to present the documents the Department prefers to examine for some sales, the Department was able to verify the information using alternative methodologies. KSP also argues that petitioners exaggerate and highlight minor differences on reported sales dates and payment dates. With regard to the home market sales data to which petitioners refer, KSP argues that its methodology is reasonable and the effect that returned goods have on weighted-average prices would be inconsequential, given the relatively small quantity of returned goods to home market sales and the stability of home market prices during the POR. KSP concludes that, because it cooperated with all of the Department's requests for information and because its submissions were successfully verified, the application of BIA to KSP's U.S. sales would be inappropriate.

Department's Position: We agree with respondents. With regard to the dates of shipment and payment, we found that, of the discrepancies noted by petitioners, all, with one exception, would have been disadvantageous to KSP had we not found the discrepancies and allowed KSP to correct them. With regard to the fact that KSP was unable to produce certain documents we requested, we note that KSP was able to present other documentation that supported the data it reported in its response. We are reviewing a POR that ended in 1993. KSP's U.S. affiliate filed for bankruptcy proceedings in 1993 and no longer operates. It is appropriate to recognize the lapse of time since the POR ended and the fact that the U.S. affiliate is no longer in operation. In our view, KSP cooperated to the best of its ability, considering the circumstances. Due to the fact that we were able to tie the reported information back to other documentation and that, in our view, the errors to which petitioners refer are not nearly as grave as petitioners assert, we are satisfied with the accuracy of KSP's U.S. sales database.

With regard to home market sales returns, it is impossible to determine from the record whether any distortion exists or what effect this hypothetical distortion, if it exists, may have on the margin. As KSP notes, the quantity of returned goods was very small in proportion to the volume of home market sales, which would suggest that any distortion that may exist would have, at best, a minuscule effect on the margin. Therefore, we have used KSP's home market sales database because there is no record evidence that KSP's reporting methodology is distortive. To simply reject KSP's entire home market sales response because KSP was not able to match returns to sales would be, in our view, unwarranted and punitive, given the cooperation that KSP provided.

Comment 3: Petitioners argue that KSP's interest expense must be recalculated to exclude certain offsets for interest income because KSP could not demonstrate that the underlying investments were short-term in nature at verification.

KSP does not object to a modification of its interest expense factor to account for income that was not proven to be associated with short-term investments as long as the adjustment is limited to that income alone.

Department's Position: We agree with petitioners. Short-term-interest expense may only be offset by short-term-interest income. Because KSP could not demonstrate that the underlying investments were short-term in nature at verification, we have disallowed these items of interest income as an offset to interest expense and recalculated KSP's interest-expense factor accordingly.

Comment 4: KSP asserts that the Department improperly treated the schedule of ASTM pipe, *i.e.*, the wall thickness, as a grade specification in applying the model-match hierarchy. KSP asserts that the schedule of ASTM pipe represents wall thickness and argues that, since wall thickness is a distinct characteristic under the Department's physical-characteristics hierarchy, it should be disregarded in matching pipe by grade specification.

Department's Position: We agree with KSP. We have corrected this error for the final results.

Comment 5: KSP argues that the Department should disregard level of trade in making model matches for KSP because there is no evidence on the record indicating any correlation between prices or expenses and levels of trade in the home market in the case of KSP. KSP further notes that this issue was the subject of litigation in the LTFV investigation, where the CIT remanded the issue to the Department to conduct a correlation test to determine whether any correlation between prices or expenses and levels of trade existed. According to KSP, the Department found, after conducting this test, that no such correlation existed and recalculated KSP's margin without regard to level of trade. KSP also submitted an analysis of prices and selling expenses based on the home market sales data it previously submitted to demonstrate that there was no correlation in the current POR.

Petitioners contend that the Department should reject KSP's level-of-trade analysis because it is untimely and flawed, stating that its test data cannot be verified or carefully analyzed. Petitioners also contend that KSP's assertion that the results of the LTFV investigation compel the same result in this review is incorrect and assert that the Department's policy is to treat discernable levels of trade as separate unless a party provides evidence that there is not a significant correlation between prices and selling expenses on the one hand and levels of trade on the other.

Petitioners argue that the analysis KSP submitted in its case brief is flawed with regard to unit prices because it compares aggregate prices rather than monthly prices and, therefore, may be subject to other market factors, distorting the analysis. Petitioners further argue that the analysis is flawed with regard to selling expenses because the selling expenses KSP uses in its analysis were all allocated proportionally to all sales in the response regardless of level of trade.

Department's Position: We agree with petitioners in part and with KSP in part. Because petitioners are correct in arguing that each review stands alone, whatever factual pattern may have existed during the LTFV investigation does not pertain to our findings in this review. Therefore, to be consistent with the past practice of this case, we conducted a correlation test to determine whether there is a significant correlation between prices and levels of trade. In this test we compared home market prices net of movement and packing expenses by level of trade. We found that there is no significant correlation between prices and level of trade for KSP. For a more detailed discussion of our finding, *see* KSP's Final Results Analysis Memorandum, dated October 2, 1997. Furthermore, while it is true that we cannot conduct a study of the correlation of selling expenses because KSP allocated its indirect selling expenses proportionally to all sales, a study of selling expenses is moot because there is a lack of correlation between prices. Therefore, we conclude that matching KSP's sales by level of trade in this review is not appropriate and have modified KSP's margin calculation accordingly.

PSP

Comment 1: Petitioners argue that the Department should use BIA to calculate foreign inland freight, foreign brokerage, and wharfage on PSP's direct purchase price sales for which it did not report an adjustment before verification. Petitioners note that the Department found at verification that PSP failed to report these per-unit adjustments for many direct purchase price sales and corrected the error by providing average amounts based on purchase price sales on which it had previously reported the transaction-specific amounts. Petitioners contend that since PSP did not provide the information in a timely fashion the Department should reject the average adjustments and instead apply BIA. Petitioners suggest that the Department use as BIA the highest amount for any sale on which PSP reported adjustments on a transaction-specific basis.

PSP claims that the use of average amounts instead of transaction-specific amounts is reasonable and non-distortive because the differences between the average amounts and the amounts reported are insignificant. PSP contends that BIA is inappropriate since there is no evidence that it meant to exclude the transaction-specific adjustments or attempted to manipulate the data through the reporting of averages. PSP concludes that manipulation is not possible when the missing figures represent three minor adjustments on a relatively small number of sales and that the three charges are exactly the type of charges that are often reported as averages. PSP asserts, therefore, that the application of BIA would be inappropriate.

Department's Position: We have disregarded PSP's claim that the use of average amounts instead of transaction-specific amounts for the movement adjustments is reasonable and non-distortive because the company's claims are unsubstantiated and, despite its ability to provide actual transaction-specific expenses, PSP did not do so.

For the final results, we have disregarded the weighted-average per-unit adjustments PSP provided at verification. Instead, we made the adjustment based on partial BIA. Section 776(c) of the Tariff Act requires that we use BIA ''whenever a party or any other person refuses or is unable to produce information requested in a

timely manner and in the form required, or otherwise significantly impedes an investigation.'' Despite PSP's claim to the contrary, we find there are a significant number of sales on which the firm did not provide the transaction-specific movement adjustments. Our examination of freight records at verification revealed that PSP could have provided transaction-specific amounts instead of averages. Since we are not satisfied that PSP reported the adjustments to the best of its ability, our application of partial BIA is warranted. In *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From France, et al.; Final Results of antidumping Duty Administrative Reviews, Partial Termination of Administrative Reviews, and Revocation in Part of Antidumping Duty Orders,* 60 FR 10900, 10907 (February 28, 1995), we applied partial BIA in similar situations.

Thus, for the direct purchase price sales where PSP did not report transaction-specific movement adjustments, as partial BIA we applied the highest amount for any purchase price sale on which PSP reported transaction-specific values for foreign inland freight, foreign brokerage, and wharfage. We note that, even in a partial BIA situation, BIA is intended to be adverse. This induces respondents to provide timely, complete, and accurate information. In this situation, we are making an adverse inference that the unreported adjustments would have been higher than the weighted-average movement adjustments PSP provided.

Comment 2: Citing PSP's sales verification report, petitioners contend that PSP misallocated adjustments for U.S. duties, U.S. brokerage, and U.S. handling charges since it incurred the charges based on product value but allocated the charges on a theoretical-weight basis. Petitioners assert that PSP's methodology results in distortions where an entry covers merchandise of varying values, *i.e.,* allocation by weight disregards the fact that some products are more expensive than others and, therefore, a weight-based allocation may assign lower charges than required. To correct this problem, the petitioners request that the Department multiply the entered value of the merchandise by the duty rate to determine U.S. duties and by the *ad valorem* charges for brokerage and handling to determine U.S. brokerage and U.S. handling.

PSP contends that petitioners misunderstand the methodology it used to calculate U.S. duties, U.S. brokerage, and U.S. handling and request that the Department dismiss the arguments. PSP explains that, for situations where an entry covered more than one type of merchandise, it employed a two-step allocation process to derive the reported per-metric-ton movement expenses. PSP explains that in the first step it allocated the total charge for an entry (which is based on an *ad valorem* duty rate and total value of all products on the entry) to individual products based on the cost-and-freight value of each individual product divided by the total value of all products on the entry. In the second step, PSP states, it calculated the reported per-metric-ton expense by dividing the value from the first step by the total weight of the individual product. PSP asserts that petitioners focused on the second step of the calculation mistakenly in reaching their assumption that the allocation methodology is based solely on weight and would result in distortions where the entry consists of merchandise that varies in value.

Department's Position: We agree with PSP. The description of the allocation methodology that the petitioners cite from our verification report only applies to situations where the entry covered a single type of merchandise. For entries covering more than one type of merchandise PSP employed a two-step allocation process. The first step in the allocation process assigns expenses to individual products based on value and, by that, avoids the distortions which petitioners allege.

Comment 3: PSP contends that the Department neglected to add duty drawback to its ESP sales.

Petitioners note that PSP paid the duties on an actual-weight basis and received drawback on a theoretical-weight basis. Citing to the arguments on this issue elsewhere, petitioners contend that if the Department grants PSP a drawback adjustment it must reduce the claimed adjustment by the amount of the conversion factor.

Department Position: We agree with PSP that we neglected to add duty drawback to its ESP sales. However, we also agree with petitioners that the claimed duty-drawback adjustment must be reduced by the amount of the conversion factor before adding the adjustment to USP (*see* our response to Comment 5 in the ''General Issues'' section of this notice for a complete summary of the interested parties' arguments and the Department's position on adjusting duty drawback). Accordingly, we added the duty drawback to USP up to the amount of the actual duty paid.

Comment 4: Petitioners assert that PSP did not follow the methodology the Department required for calculating factors to use to derive the per-unit general and administrative (G&A) expenses and interest expenses reported in the COP and CV datasets. Petitioners argue that, because PSP failed to report its data in the manner the Department requested, the Department should use the ten-percent statutory minimum for SG&A as BIA. Petitioners contend that, if the Department does not base PSP's SG&A on BIA, it must recalculate the G&A expense and interest expense factors using the methodology the Department identified in its November 8, 1996, supplemental questionnaire and based on a cost-of-goods-sold denominator that is exclusive of packing expenses and all non-operating incomes.

PSP contends that it calculated the factors for G&A expenses and interest expenses properly and requests that the Department use the values it reported for the final results. PSP claims that the Department's factor-calculation methodology double-counts G&A expenses associated with resales by its affiliates because it increases the total expense in the numerator to include the additional expenses associated with resales by PSP's affiliates but does not correspondingly increase the cost of sales in the denominator. PSP also asserts that the methodology it utilized is acceptable since it is consistent with methodology the Department accepted for POSCO in the LTFV investigations involving steel products from Korea. PSP also claims that the G&A expense factor is approximately the same regardless of the methodology employed.

Petitioners argue that PSP is incorrect about the Department's factor-calculation methodology double-counting G&A expenses associated with resales by its affiliates. Petitioners assert that the cost of sales in the denominator of the factor calculation does not need to include the cost of sales connected with the affiliates' resales of PSP's merchandise because PSP bore the cost of the sales, not the affiliates. Petitioners also contend that the methodology the Department applied to POSCO should be ignored and request that Department decide the methodology to apply based on the facts of the current review. Finally, petitioners assert that, if the G&A expense factors truly are similar regardless of the methodology employed, then PSP should have no objection to using the Department's methodology.

Department's Position: We agree with petitioners in part. As petitioners assert, the cost of sales in the denominator of the expense-factor calculations does not need to include the cost of sales connected with the affiliates' resales of

PSP merchandise. This is because PSP bore the cost of the sales, not the affiliates. Our factor-calculation methodology therefore does not result in double-counting but, rather, results in a more reasonable estimate of PSP's per-unit G&A expenses and interest expenses for use in calculating COP than PSP's methodology. Thus, for the final results, we have recalculated the G&A expense and interest expense factors using the methodology we required in our November 8, 1996, supplemental questionnaire. We also adjusted the numerator in the factor calculation to account for the fact that the cost-of-goods-sold denominator includes packing expenses. *See* our response to Comment 6 in the ''General Issues'' section of this notice for a more detailed explanation of this adjustment. Contrary to petitioners' suggestion, we did not need to adjust the factor calculations for non-operating income since we verified that PSP properly excluded all such income. After making these adjustments, PSP's reported SG&A expenses are above the ten-percent statutory minimum and, therefore, we used the actual SG&A expenses for calculating CV.

Dongbu

Comment 1: Petitioners contend that the Department's failure to verify Dongbu's cost response violates the statute. Citing section 776(b) of the Tariff Act, petitioners claim that the statute requires the Department to verify Dongbu's cost response since it ''relied upon'' this information in calculating the margin. Petitioners claim that, since significant corrections were either presented to, or found by, the Department at the cost verifications of other respondents and at the sales verification of Dongbu, it is likely the same would have occurred if the Department verified Dongbu's cost submission. Finally, the petitioners cite their January 17, 1997, comments on Dongbu's COP and CV submission in support that ''good cause'' existed for a verification.

Dongbu asserts that in accordance with section 776(b)(3) of the Tariff Act the Department was under no legal obligation to verify any part of its submission. Citing *Timken Co.* v. *United States*, 852 F. Supp. 1122, 1130 (CIT 1994), Dongbu contends that the courts have interpreted the statutory provision as not requiring verification of a respondent during the first administrative review even if the respondent at issue was not subject to the original investigation. Dongbu notes that in this review the Department verified its sales data and contends that the results of that verification are a sufficient basis for concluding that its entire response is accurate and complete. Dongbu also contends that the result of its sales verification or cost verification of other respondents is irrelevant to a determination of whether its cost data are accurate.

Department's Position: We agree with Dongbu. For an administrative review, section 776(b)(3)(B) of the Tariff Act states that we will verify all information upon which we rely if ''good cause'' exists or we conducted no verification during the two immediately preceding reviews. Since this is the first administrative review, the latter requirement was not a consideration in deciding whether to verify Dongbu's cost data. We did however take into consideration whether ''good cause'' exists for the verification of this information. We took all of the petitioners' comments into consideration and, where we decided it was necessary, we requested or made corrections. Given the analysis we performed and our time, resources, and other constraints, we decided not to verify Dongbu's cost data. Furthermore, contrary to petitioners' assertion, we found no discrepancies at Dongbu's sales verification or the cost verifications of other respondents that suggest Dongbu's cost data is unreliable. Since we are satisfied with Dongbu's cost data, we find no ''good cause'' to require a cost verification and relied upon Dongbu's information for these final results.

Comment 2: Petitioners assert that the Department should recalculate the home market interest rate Dongbu used to impute credit expenses for its home market sales in order to account for short-term usance loans that relate to production. Petitioners argue that it is the Department's policy to treat all short-term loans as fungible for the calculation of a weighted-average short-term interest rate. Without evidence that the loans were not used to finance sales, petitioners contend that the Department must use the usance loans to recalculate Dongbu's home market short-term interest rate. However, petitioners assert that such a recalculation is not possible because Dongbu did not provide accurate information on the usance loans. Therefore, in recalculating the home market short-term interest rate for the final results, petitioners suggest that as BIA the Department weight-average the lowest reported usance-loan interest rate with the home market weighted-average short-term interest rate used for the preliminary results based on the ratio of Dongbu's usance loans to its total short-term borrowings.

Dongbu contends that the Department should not make the change petitioners request. Dongbu asserts that the Department verified its weighted-average short-term interest rate fully in this review. In addition, Dongbu asserts that the Department has accepted its methodology in the administrative reviews of the antidumping duty orders on cold-rolled and corrosion-resistant steel from Korea. Dongbu argues that the Department should not account for the usance loans in the calculation of its home market weighted-average short-term interest rate because they relate specifically to the financing of raw-material purchases. Dongbu also argues that the petitioners' suggestion for adjusting the interest rate for usance loans based on BIA is unwarranted. Dongbu asserts, however, that if the Department applies this methodology, the Department should not use petitioners' data for weight-averaging the lowest reported usance loan with the borrowing rate used to impute credit expenses for the preliminary results. Dongbu contends that petitioners mistakenly weight-averaged the two rates using the ratio of the U.S. affiliate's, Dongbu Corporation's, usance loans to its total short-term borrowings instead of the ratio applicable to Dongbu Steel Co., Ltd. Dongbu therefore requests that if the Department weight-averages the two rates to account for usance loans it must use Dongbu Steel Co., Ltd.''s borrowing experience as the basis of this calculation.

Department's Position: Dongbu calculated the home market weighted-average short-term interest rate to measure its cost of extending credit on home market sales when it sold merchandise on account. In calculating this rate, we agree with petitioners that Dongbu should have included its short-term usance loans. As petitioners assert, it is the Department's practice to treat short-term loans, or the cost of working capital, as fungible. *See, e.g., Ferrosilicon From Brazil; Notice of Final Results of Antidumping Duty Administrative Review*, 62 FR 43504, 43512 (August 14, 1997) (Department's practice recognizes the fungible nature of invested capital resources), and *Gray Portland Cement and Clinker From Mexico; Final Results of Antidumping Duty Administrative Review*, 62 FR 17148, 17160 (April 9, 1997) (the Department indiscriminately included all interest expenses incurred in acquiring debt in the calculation of production costs). While Dongbu obtained the usance loans to finance the purchase of raw materials used in production, these borrowings may have

relieved Dongbu of the need to borrow money to cover other operating costs. Therefore, we are concerned with all of Dongbu's home market loans that relate to short-term working capital. Thus, to measure Dongbu's cost of extending credit accurately, we must base the calculation on Dongbu's overall short-term borrowing experience, which includes usance loans.

For the final results, we recalculated Dongbu's home market weighted-average short-term interest rate to account for usance loans by applying an adjustment methodology similar to the one petitioners suggest. However, due to the reasons explained by Dongbu above, we did not use the same data as petitioners for performing this calculation. Instead, we took the simple average of the interest rates Dongbu reported for usance loans and weight-averaged this rate with the reported rate based on the ratio of Dongbu Steel Co., Ltd.'s usance loans to its total short-term borrowings. *See* Dongbu's Final Results Analysis Memorandum dated October 2, 1997, for a detailed illustration of this calculation. We used the new rate to recalculate imputed credit expenses for home market sales for these final results.

Comment 3: Dongbu contends that the Department made a clerical error that resulted in the comparison of home market prices expressed on an actual-weight basis to USPs expressed on a theoretical-weight basis. Dongbu requests that for the final results the Department use home market prices expressed on a theoretical-weight basis.

Petitioners request that the Department base Dongbu's price comparisons on the weight basis on which it made sales in each market. Petitioners assert that the home market theoretical-weight-based prices Dongbu reported are inaccurate because the conversion factors used to derive these prices from actual-weight-based prices are inaccurate and unverified. (*See* Comment 2 of the ''General Issues'' section for further details on petitioners' argument.)

Department Position: We agree with Dongbu. For the final results, we corrected the clerical error noted by Dongbu so that the home market prices in our price comparisons are expressed on a theoretical-weight basis.

Regarding petitioners' allegation of inaccuracies in the conversion factor used to derive home market prices, we find that this assertion is misplaced. Dongbu did not use conversion factors to derive the theoretical-weight-based prices it reported. To calculate the prices on a theoretical-weight basis Dongbu divided the total sales value of a transaction (the home market sales occurred on an actual-weight basis) by the theoretical weight of the transaction. *See* Dongbu's December 13, 1996, supplemental questionnaire response at page 18. Thus, petitioners' assertion is incorrect.

Union

Comment 1: The petitioners argue that the Department should apply adverse BIA to Union because the Department could not verify the accuracy of Union's COP and CV data, there is insufficient information on the record to correct these costs, and Union failed to cooperate to the best of its ability. Specifically, petitioners cite to the Department's finding at verification that Union's finished-goods inventory, which Union used to allocate certain sub-materials costs and fabrication costs, was a mixture of theoretical- and actual-weight-based values. This finding, petitioners allege, is contrary to Union's narrative response, citing Union Steel Manufacturing Co., Ltd.'s June 2, 1997, COP verification report at page 2. Moreover, the petitioners allege that Union refused to provide a breakout of the finished-goods inventory that would allow the Department to evaluate the extent of the inaccuracy.

For the preliminary results, the petitioners state, the Department attempted to correct this inaccuracy by converting the coil-input costs, but not the sub-materials costs or the fabrication costs, to a theoretical-weight basis. Petitioners allege that this approach is inadequate because all costs, which petitioners contend should include coil costs, are allocated based on the weights recorded in the finished-goods inventory. Therefore, petitioners argue, at a minimum the Department should treat coil costs the same as the fabrication and sub-materials costs. However, the petitioners also argue that merely disallowing the conversion of coil costs to a theoretical-weight basis is not enough because the mixed-weight system will skew the difference-in-merchandise (difmer) calculations.

Petitioners argue that, for matches of ''similar'' rather than ''identical'' merchandise, the Department will calculate the difmer on a different basis than the U.S. sale if it uses the mixed-weight system. Because Union refused to provide a report segregating the export and domestic sales quantities, petitioners allege that the Department cannot determine how much the difmer adjustment will be skewed. For this reason, petitioners contend that the Department cannot perform a difmer test nor is there sufficient data on the record to correct the amounts.

In conclusion, the petitioners state that the Department could not verify the accuracy of Union's cost data and Union refused to cooperate with the Department's request to investigate this error. Union, petitioners argue, should not be allowed to manipulate its margin by selectively providing information, citing, *e.g., Olympic Adhesives Inc.* v. *United States*, 899 F. 2d 1565, and *Rhone Poulenc, Inc.* v. *United States*, 710 F. Supp 341, 346 (CIT 1989), aff'd 899 F. 2d 1185 (CAFC 1990). For the foregoing reasons, petitioners conclude, the Department should base the final results on total and adverse BIA pursuant to sections 776(b) and (c) of the Tariff Act.

Union argues that the petitioners fail to cite any factual evidence that the cost-data error extended beyond the types of costs that the Department corrected at the preliminary results. Union argues that it was fully cooperative with the verification process, it conceded its error, and the Department correctly applied BIA to an appropriate part of its response. Union asserts that it is a well-established Departmental practice to apply a partial BIA only to that part of a response that is deemed deficient, citing *Ad Hoc Committee of AZ–NM–TX–FL Producers of Gray Portland Cement* v. *United States*, 865 F. Supp. 857 (CIT 1994). Moreover, Union contends that the Department does not consider the level of cooperation when applying partial BIA, citing *National Steel Corporation* v. *United States*, 870 F. Supp. 1130, 1135 (CIT 1994). Thus, Union concludes, there is no factual or legal basis for the Department to resort to total BIA.

Department's Position: We agree with petitioners in part. We have reexamined the record and conclude that we should recalculate the difmer adjustment in the same manner as Union's other costs for these final results. *See* Union's Final Analysis Memorandum, dated October 2, 1997. However, we disagree that any additional effort to correct Union's data is necessary.

We disagree with the petitioners' conclusion that Union's response is unusable. We verified Union's home market and U.S. sales and found Union's reporting to be largely correct. In addition, we verified that Union's cost data was essentially correct with respect to hot-coil costs and to most other elements included in its COP. We determined that any errors we noted in the verification reports were limited, correctable, and did not apply to hot-coil costs.

We agree with the petitioners that information does not exist on the record

to enable us to correct Union's response. We also agree with the petitioners that Union was uncooperative regarding our request that Union provide a detailed breakout of its finished goods inventory. In correcting Union's sub-materials and fabrication costs, we used an adverse inference. Although Union could have provided data that would have enabled us to calculate a more accurate COP, the data would have lowered Union's weighted-average margin because any conversion to a theoretical-weight basis would result in a lower per-unit cost. Thus, by not converting these costs to a theoretical-weight basis, we applied an adverse inference, obviated the need for more accurate data, and responded appropriately to Union's limited failure to report accurate data.

Comment 2: The petitioners allege that, for proprietary reasons, the Department should consider Union and KISCO to be related firms and assign these firms a single weighted-average margin to prevent the possibility of manipulation of pricing and production decisions. Petitioners argue that, in determining whether to collapse related parties, the Department considers the following factors: (1) The level of common ownership; (2) the existence of interlocking boards of directors; (3) the existence of similar production facilities that would not require significant retooling; and (4) closely intertwined operations, citing *Certain Cold-Rolled Carbon Steel Flat Products from Korea,* 60 FR 65284 (December 19, 1995). Petitioners allege that these conditions have been met.

Union and KISCO argue that the Department should reject petitioners' allegation as untimely and unsubstantial. Both firms note that the record facts have been available to petitioners as early as April 1994 and that the petitioners have had ample opportunity to raise this issue before the Department in a more timely manner. By raising this issue at the last possible moment, respondents assert that petitioners did not allow the Department sufficient time to focus on this issue and to take steps that would allow the Department to calculate a meaningful single weighted-average margin. For example, Union and KISCO note that, because the Department conducted a sales-below-cost investigation with respect to Union but not with respect to KISCO, the record does not contain KISCO's production-quantity data. Thus, both firms argue that the Department will be unable to weight-average difmer data. Union and KISCO also argue that the control numbers for each company are different, thereby forcing the Department to make various assumptions and hinder its ability to make correct product matches. Union contends that these problems will lead to distortive results and that the Department should reject petitioners' arguments on this ground alone.

Notwithstanding these logistical problems, Union argues that the facts on the record do not support a finding that Union and KISCO should be considered one entity. Union notes that the Department did conduct an inquiry into the relationship between Union and KISCO through a supplemental questionnaire and verification and that the Department did consider factors that it would have analyzed in a collapsing decision. However, Union observes, the Department did not collapse Union and KISCO in the preliminary results. Union asserts that it and KISCO do not have an interlocking board of directors. Moreover, Union contends the board members common to KISCO and Union through a third party are ''non-standing'' members and, thus, do not participate in the day-to-day operation and management of the companies. Union also argues that there is no record evidence that the two firms are closely intertwined. Union argues that, in the past, the Department has stated that this condition is the most important decision in its collapsing analysis, citing the January 18, 1994, memorandum from Joseph A. Spetrini to Susan G. Esserman on the record for the antidumping duty order on certain corrosion-resistant carbon steel flat products from Korea. Union indicates that petitioners' only evidence for such a conclusion is that Union sold a small amount of subject merchandise to KISCO and both companies exported subject merchandise through two affiliated parties. In contrast, Union claims that it and KISCO are competitors in both the domestic and U.S. markets and operate as separate and distinct entities. For the foregoing reasons, Union requests that the Department reject the petitioners' allegations as untimely and meritless.

KISCO argues that the petitioners' arguments are misguided and should be rejected. KISCO argues that at least two of the Department's four collapsing criteria it uses in collapsing decisions have not been met by the companies. First, KISCO asserts that there is no evidence that the two companies share sales information, make joint production or pricing decisions, or share facilities or employees. Second, KISCO asserts that there is no interlocking management.

KISCO also asserts that, by strategically withholding this collapsing argument until after the record was closed, KISCO was deprived of the opportunity to address these allegations in detail during verification or to otherwise develop a factual record that would serve to prove to the Department that it acts as an entirely independent entity.

Finally, KISCO notes that, because the Department did not collapse the companies at the preliminary results, KISCO will be denied an opportunity to comment on the Department's methodology used in calculating a consolidated dumping margin. For the reasons listed above, KISCO requests that the Department deny the petitioners' request to collapse.

Department's Position: We agree with petitioners. We have examined the relationship between Union and KISCO and have determined that there is a significant potential for price and cost manipulation. For these final results, we have calculated a weighted-average margin for this collapsed entity based on the costs and sales of Union and KISCO.

As we have noted before, ''[i]t is the Department's long-standing practice to calculate a separate dumping margin for each manufacturer or exporter investigated.'' *Final Determinations of Sales at Less than Fair Value; Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Corrosion-Resistant Carbon Steel Flat Products From Japan,* 58 FR 37154, 37159 (July 9, 1993) (*LTFV Japanese Steel Final*). Because we calculate margins on a company-by-company basis, we must ensure that we review the entire producer or reseller, not merely a part of it. We review the entire entity due to our concerns regarding price and cost manipulation. Because of this concern, we examine the question of whether companies ''constitute separate manufacturers or exporters for purposes of the dumping law.'' *Final Determination of Sales at Less than Fair Value; Certain Granite Products from Spain,* 53 FR 24335, 24337 (June 28, 1988). Where there is evidence indicating a significant potential for the manipulation of price and production, we will ''collapse'' related companies; that is, we will treat the companies as one entity for purposes of calculating the dumping margin. *See Nihon Cement Co., Ltd.* v. *United States,* Slip Op. 93–80 (CIT May 25, 1993).

To determine whether to collapse companies, we make three inquiries. First, we examine whether the companies in question are related within the meaning of section 771(13) of the Tariff Act. *See Notice of Final*

Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances Determination; Disposable Pocket Lighters From Thailand, 60 FR 14263, 14268 (March 16, 1995) (declining to collapse non-related companies). Second, we examine whether the companies in question have production facilities similar enough to enable the shifting of production from one company to another without significant retooling. *See Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada; Preliminary Results of Antidumping Duty Administrative Review,* 60 FR 42511 to 42512 (August 16, 1995) (*Steel from Canada 1993/94 Preliminary Results of Review*). Third, we examine whether other evidence exists indicating a significant potential for the manipulation of price or production. The types of factors we examine to determine whether there is a significant potential for manipulation include the following: (1) The level of common ownership; (2) the existence of interlocking officers or directors (*e.g.*, whether managerial employees or board members of one company sit on the board of directors of the other related parties); and (3) the existence of intertwined operations.

Union and KISCO are related to each other within the meaning of section 771(13) of the Tariff Act. *See* Memorandum from Laurie Parkhill to Richard Moreland, dated October 2, 1997 (Collapsing Memorandum). Second, the two companies have similar production facilities. These companies produce a similar range of pipe sizes in a similar manner and, thus, the companies would not need to engage in major retooling to shift production. Third, other proprietary evidence indicates that there is a significant potential for price or cost manipulation among these companies. In general, this additional evidence of intertwined operations consists of proprietary information establishing the following: (1) The level of common ownership; (2) the existence of interlocking directors; (3) the shipment of subject merchandise through a common exporter to the United States; (4) a joint U.S. sales effort; (5) an intertwined marketing effort; (6) intertwined financial operations; and (7) inter-company transactions of the subject merchandise. *See* Collapsing Memorandum.

Our determination whether to collapse is based on the totality of the circumstances. *See Steel from Canada 1993/94 Preliminary Results of Review* at 42512. We do not use bright-line tests in making this finding. Rather, we weigh the evidence before us to discern whether the companies are, in fact, separate entities or whether they are sufficiently intertwined as to properly be treated as a single enterprise to prevent evasion of the antidumping order via price, cost, or production manipulation. Here we find that such potential for manipulation exists for the companies in question. Therefore, have collapsed Union and KISCO and treated them as one entity for purposes of these final results.

We disagree with respondents' argument that the petitioners' collapsing argument is untimely. In fact, the purpose of releasing preliminary results is to invite comment from interested parties (*see* § 353.38(c)(2) of our regulations). Petitioners' argument appropriately concerns how we applied the law to the facts of record for the preliminary results. We also disagree with respondents that they did not have the opportunity to establish a factual record on this matter. In January 1997, we issued a supplemental questionnaire to both Union and KISCO eliciting the kind of factual information that we consider in our collapsing analysis. Respondents were aware at that time that the Department was analyzing the affiliations among KISCO, Union, DSM, and DKI, and had previously collapsed Union and DKI in another proceeding. *See Steel from Korea 1993/94 Review Preliminary Results* at 65284. Respondents were also aware that the Department had ''collapsed'' DSM's, Union's, and DKI's financial expenses in *Steel from Korea 1993/94 Review Preliminary Results* because it had determined that Union, DSM, and DKI were not independent companies. We also reviewed the corporate relationships and related-party transactions at verification in this administrative review. *See* Union's verification report, dated March 20, 1997, at pages 2–3, and KISCO's verification report, dated March 18, 1997, at page 1. Thus, we did not deprive Union and KISCO of any opportunity to build a factual record supporting their claims of independence. Moreover, both firms had an opportunity to rebut petitioners' assertions after the preliminary results of review.

Respondents point to the logistical difficulties in combining their data. We recognize these potential problems and have considered respondents' concerns in calculating a single weighted-average margin. Specifically, we are not subjecting KISCO's home market sales to a below-cost-of-production examination. Instead, we have excluded Union's below-cost sales from Union's home market database before combining these sales with KISCO's home market sales. In addition, we have ignored the different control numbers each firm used. Instead, we have created a new and unique set of control numbers based on our model-matching criteria. In this way, we have avoided any logistical difficulties in combining the respondent's data. Therefore, for purposes of calculating margins, we have collapsed Union and KISCO and will apply the resulting single weighted-average margin to all subject merchandise produced by these firms and exported to the United States.

Comment 3: Petitioners assert that the Department should not allow dividend income, rental income, and the reversal allowance for investment securities income as offsets to SG&A because Union was not able to tie these items to its operations at verification. Petitioners further contend that the Department should exclude income for dross and scrap sales as offsets to SG&A because Union already accounted for these items in its reported COM.

Department's Position: We agree with the petitioners. However, we disallowed these offsets for the preliminary results and, therefore, no change is necessary.

KISCO

Comment 1: KISCO argues that the Department failed to make contemporaneous matches. KISCO requests that the Department correct this error by adjusting the product-matching concordance section of the program so that contemporaneous months are assigned the same value.

The petitioners agree that the Department should use a consistent system for determining dates throughout the margin programs.

Department's Position: We agree with both parties and have altered our program to match contemporaneous sales correctly.

Comment 2: KISCO argues that the Department did not read the home market packing costs from its data tape properly. KISCO requests that the Department reload the correct data or adjust the programming to account for the incorrect decimal placement.

The petitioners agree that the Department did not read the home market packing data correctly and request that the Department correct the error. In addition, petitioners request that the Department confirm that it transferred the other data fields correctly.

Department's Position: We have corrected this data error for the final results. We checked to confirm that there were no other errors in the reading

of KISCO's data and found that the variable cost of manufacturing and the total cost of manufacturing reported in KISCO's U.S. sales data set were also misread. Therefore, we also have corrected these fields for the final results.

Comment 3: KISCO argues that the Department failed to adjust USP for the interest revenue it earned as a result of the charges its U.S. subsidiary made to late-paying customers. KISCO maintains that it is the Department's long-standing practice to offset interest income earned on sales of subject merchandise against imputed credit costs in calculating the credit expense adjustment to USP.

Department's Position: We agree with KISCO and have corrected our USP calculations to account for interest revenue.

Final Results of Review

We determine that the following percentage weighted-average margins exist for the period April 28, 1992, through October 31, 1993:

Company	Margin (percent)
Dongbu Steel Co., Ltd	1.71
Korea Iron & Steel Co., Ltd./Union Steel Co., Ltd	1.53
Korea Steel Pipe Co., Ltd	3.15
Pusan Steel Pipe Co., Ltd	6.00

The Department shall determine, and the U.S. Customs Service shall assess, antidumping duties on all appropriate entries. Because the inability to link sales with specific entries prevents entry-by-entry assessments, we will calculate wherever possible an exporter/importer-specific assessment value.

With respect to assessment for ESP, purchase price, and IPP transactions, for the reasons explained in the ''General Issues'' section of this notice, we calculated a per-unit dollar amount of dumping duty by dividing the total dumping duties due for each importer/customer by the corresponding number of units used to determine the duties due. We will direct Customs to assess the resulting per-ton dollar amount against each ton of merchandise on each of the importers'/customers' subject entries during the review period.

Furthermore, the following deposit requirements will be effective upon publication of these final results of review for all shipments of subject merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication, as provided by section 751(a)(1) of the Tariff Act: (1) The cash deposit rates for the reviewed companies will be the rates outlined above; (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 or the original 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; and (4) the cash deposit rate for all other manufacturers or exporters will continue to be 4.80 percent, the ''All Others'' rate made effective by the amended final determination of the LTFV investigation published on November 3, 1995. *See Circular Welded Non-Alloy Steel Pipe from Korea; Notice of Final Court Decision and Amended Final Determination,* 60 FR 55833 (November 3, 1995).

This notice also serves as a reminder to importers of their responsibility under § 353.26 of the Department's regulations 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.

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d) of the Department's regulations. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

This administrative review and this notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)) and § 353.22 of the Department's regulations.

Dated: October 20, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 97–28408 Filed 10–24–97; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–357–403]

Oil Country Tubular Goods From Argentina; Final Results of Countervailing Duty Administrative Review

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

ACTION: Notice of Final Results of Countervailing Duty Administrative Review

SUMMARY: On June 13, 1997, the Department of Commerce (the Department) published in the **Federal Register** the preliminary results of its 1991 administrative review of the countervailing duty order on oil country tubular goods (OCTG) from Argentina. We have now completed this review and determine the total net subsidy to be 0.49 percent *ad valorem*, which is *de minimis.* For further information, see the *Final Results of Review* section of this notice.

EFFECTIVE DATE: October 27, 1997.

FOR FURTHER INFORMATION CONTACT: Richard Herring, Office of CVD/AD Enforcement VI, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; *Telephone:* (202) 482–4149.

SUPPLEMENTARY INFORMATION:

Background

On June 13, 1997, the Department published in the **Federal Register** (62 FR 32307) the preliminary results of its 1991 administrative review of the countervailing duty order on OCTG from Argentina (49 FR 46564; November 27, 1984). The Department has now completed this administrative review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act). This review involves one producer/exporter, Siderca, which accounts for all exports of the subject merchandise during the review period and 19 programs.

We invited interested parties to comment on the preliminary results. On July 14, 1997, a case brief was submitted by Siderca.

On August 1, 1997, the Department published in the **Federal Register** the final results of changed circumstances countervailing duty reviews covering the orders on leather, wool, oil country tubular goods, and cold-rolled steel from Argentina (*see Leather From*