As noted above, we have determined, based on facts available, that importers knew or should have known that there would be material injury to the U.S. cut-to-length steel plate industry based on the ITC's preliminary determination of a reasonable indication of present material injury. In the absence of shipment data for the Russia-wide entity, we have determined based on facts available and making the adverse inference permitted under section 776(b) of the Act, that because this entity did not provide an adequate response to our questionnaire, there were massive imports of subject merchandise. We further note that the record indicates a post-filing surge in U.S. cut-to-length steel plate imports from Russia which is not accounted for by the cooperating respondent, Severstal. Finally, the Russia-wide margin of 185 percent exceeds the 25 percent threshold for imputing a knowledge of dumping to the importers of the merchandise. Therefore, for the Russia-wide entity, critical circumstances exist with respect to imports of subject merchandise.

Therefore, we find that critical circumstances exist for cut-to-length carbon steel plate sales by all Russian exporters.

Continuation of Suspension of Liquidation

On October 24, 1997, the Department signed a suspension agreement with the Ministry of Foreign Economic Relations and Trade of the Russian Federation (the Agreement). Therefore, we will instruct Customs to terminate the suspension of liquidation of all entries of cut-to-length carbon steel plate from the Russian Federation. Any cash deposits of entries of cut-to-length carbon steel plate from the Russian Federation shall be refunded and any bonds shall be released.

On October 14, 1997, we received a request from Petitioners requesting that we continue the investigation. We received a separate request from the United Steelworkers of America, an interested party under section 771(9)(D) of the Act, on October 14, 1997. Pursuant to these requests, we have continued and completed the investigation in accordance with section 734(g) of the Act. We have found the following margins of dumping:

Manufacturer/producer/exporter	Weight-average margin percentage
Severstal	53.81
Russia-Wide Rate	185.00

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. As our final determination is affirmative, the ITC will determine, within 45 days, whether these imports are causing material injury, or threat of material injury, to an industry in the United States. If the ITC's injury determination is negative, the Agreement will have no force or effect, and the investigation shall be terminated. *See* section 734(f)(3)(A) of the Act. If, on the other hand, the Commission's determination is affirmative, the Agreement shall remain in force but the Department shall not issue an antidumping duty order so long as (1) the Agreement remains in force, (2) the Agreement continues to meet the requirements of subsection (d) and (1) of the Act, and the parties to the Agreement carry out their obligations under the Agreement in accordance with its terms. *See* section 734(f)(3)(B) of the Act.

This determination is published pursuant to section 735(d) of the Act.

Dated: October 24, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 97–30396 Filed 11–18–97; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–822]

Certain Helical Spring Lock Washers From the People's Republic of China; Final Results of Antidumping Duty Administrative Review

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

SUMMARY: The Department of Commerce (the Department) published the preliminary results of the administrative review of the antidumping duty order on certain helical spring lock washers (HSLWs) from the People's Republic of China (PRC) in the **Federal Register** on July 11, 1997 (62 FR 37192). This review covers sales of this merchandise to the United States during the period October 1, 1995 through September 30, 1996. We gave interested parties an opportunity to comment on our preliminary results. Based upon analysis of the comments received, we changed the results from those presented in the preliminary results of the review.

EFFECTIVE DATE: November 19, 1997.

FOR FURTHER INFORMATION CONTACT: Tamara Underwood or Maureen Flannery, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–4733.

Background

The Department published the preliminary results of this review of the antidumping duty order on HSLWs from the PRC in the **Federal Register** on July 11, 1997 (62 FR 37192). On August 11, 1997, petitioner, Shakeproof Industrial Products Division of Illinois Tool Works (SIP), and respondent, Zhejiang Wanxin Group, Co., Ltd. (ZWG), submitted comments on the Department's preliminary results. On August 18, 1997, petitioner and respondent submitted rebuttal comments. The Department rejected respondent's August 11, 1997 submission because it contained new information. Respondent resubmitted comments on August 22, 1997. We held a hearing on September 22, 1997. On October 28, 1997, the Department placed new information on the record and gave interested parties an opportunity to comment pursuant to 19 U.S.C. section 1677m(g). The respondent submitted comments on October 31, 1997. The Department has now completed this review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

Applicable Statute and Regulations

Unless otherwise stated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round of Agreements Act. In addition, unless otherwise stated, all citations to the Department's regulations are references to the regulations as codified at 19 CFR Part 353 (1996).

Scope of Review

The products covered by this review are HSLWs of carbon steel, of carbon alloy steel, or of stainless steel, heat-treated or non-heat-treated, plated or non-plated, with ends that are off-line. HSLWs are designed to: (1) function as a spring to compensate for developed looseness between the component parts of a fastened assembly; (2) distribute the load over the larger area for screws or bolts; and (3) provide a hardened bearing surface. The scope does not include internal or external tooth washers, nor does it include spring lock washers made of other metals, such as copper.

HSLWs subject to this review are currently classifiable under subheading 7318.21.0030 of the Harmonized Tariff Schedule of the United States (HTS). Although the HTS subheading is provided for convenience and Customs purposes, the written description of the scope of this proceeding is dispositive.

This review covers one exporter of HSLWs from the PRC, ZWG, and the period October 1, 1995 through September 30, 1996.

Analysis of Comments Received

Comment 1: Use of Import Prices to Value Steel Inputs.

Petitioner, SIP, asserts that the Department should limit the use of imported steel prices to valuing the imported steel actually used. Petitioner argues that, in accordance with section 1677b(c)(1) of the Act, the Department must determine normal value (NV) ''on the basis of the value of the factors of production utilized in producing the merchandise.'' Petitioner contends that, although the Department used non-surrogate, market-economy actual prices in *Final Determination of Sales at Less Than Fair Value: Oscillating Fans and Ceiling Fans from the People's Republic of China* (56 FR 55271, October 25, 1991)(*Fans*), and affirmed in *Lasko Metal Products* v. *United States,* 43 F .3d 1442 (Fed. Cir. 1994)(*Lasko*), the Department only applied these values to the actual imports. Petitioner states that the Department relied on surrogate values to value all non-imported inputs. Petitioner claims that the use of import prices to cover non-imported factor inputs is an arbitrary extension of the Department's authority.

Petitioner contends that the import quantities of steel are not the same as the domestically-sourced quantities of steel and that the Department should value these quantities as two separate factors of production. Petitioner states that the Act defines ''factors of production'' to include the ''quantities of raw materials employed.'' Petitioner contends that, although the Act and *Lasko* affirm that the Department can consider non-surrogate, market-economy actual prices to be the best information and use those prices, neither the Act nor *Lasko* provides justification for the Department's use of values for one factor as the value for another factor, even if both factors are steel.

Petitioner asserts that accuracy is not enhanced by using import prices for valuing all steel inputs. Petitioner states that the goal of the Act is to approximate the costs where non-market economy (NME) costs do not reflect market-determined prices. Petitioner claims that the Department cannot use import prices to accurately and fairly reflect the value of the domestically-sourced steel. Petitioner takes issue with the proposed antidumping duty regulations on this point (*Antidumping Duties; Countervailing Duties; Notice of Proposed Rulemaking* (61 FR 7309, 7345, February 27, 1996)), and contends that it is not enough to provide that the market-economy price may be disregarded ''where the amount purchased from a market economy supplier is insignificant.'' Petitioner suggests that it should be the other way around: at most, only if the amount purchased within the NME is insignificant, should the Department use the non-surrogate, market-economy actual price to value all steel. Petitioner cites the Department's practice of valuing inputs based on the weighted average of prices paid in constructed value (CV) market economy cases. Petitioner cites *Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails from Korea* (62 FR 25895, 25897, May 12, 1997) as an example of this practice.

Petitioner also asserts that, if the Department values all steel at the import price, it can drastically distort the NME producer's costs when, for example, the NME producer uses imported steel to fulfill half of its steel requirements and domestic steel to fulfill the remainder of its steel requirements. Petitioner adds that the major defect in the Department's approach is that it fails to recognize that an NME producer will import factors at prices which are less than the prices it would otherwise pay for the input. Petitioner concludes that the Department's methodology does not promote either accuracy or fairness.

Respondent asserts that the Department correctly used the imported steel price to value all of its steel inputs in the preliminary results and should continue to do so in the final results. Respondent states that the imported steel meets all criteria established by the Department for using market-economy prices and that the Department is obliged to use the price paid for that input to value all of the respondent's consumption of that input. Respondent argues that the Department's methodology in the preliminary results is fully supported by the Department's prior practice, the proposed and final regulations, the court decisions, and the statute. Respondent maintains that the Department's established practice of valuing all of the production input using the NME producer's actual import prices for that input is legitimate and does enhance accuracy, as affirmed in *Lasko*: ''Where we can determine that an NME producer's input prices are market determined, accuracy, fairness, and predictability are enhanced by using those prices. Therefore, using surrogate values when market-based values are available would, in fact be contrary to the intent of the law.'' 43 F.3d 1442, 1446 (Fed. Cir. 1994). Respondent maintains that the decision in *Lasko* confirms that surrogate values are merely the best approximation of what the NME producer might pay if the NME producer were operating in a market economy. Respondent also adds that the court stated in *Lasko* that the Department's practice is a ''legitimate policy choice . . . in interpreting and applying the statute.'' 43 F.3d at 1446. Respondent claims that *Lasko* upheld the Department's market-economy input methodology as consistent with the statute. Respondent also cites the Department's position in the *Notice of Final Determination of Sales at Less Than Fair Value: Melamine Institutional Dinnerware Products from the People's Republic of China* (62 FR 1798, 1710, January 13, 1997)(*Melamine*), which states that ''the market economy price is the most appropriate basis for determining the value of the [input] purchased from the PRC suppliers.'' Respondent concludes that when the NME producer actually purchases a market-economy input and pays in market economy currency, there is no need to use the best approximation.

Respondent asserts that the CV calculation methodology referenced by petitioner is irrelevant to NME cases. Respondent states that, pursuant to 19 U.S.C. § 1677b(a)(2), CV applies to market-economy cases and not to NME cases. Respondent claims that, pursuant to 19 U.S.C. § 1677b(c), the Department is required to use a selected import price or a surrogate price to value an NME producer's production costs. Respondent asserts that petitioner's argument that the Department's practice distorts the NME producer's costs ignores commercial reality and is contrary to the court rulings and the basic principles underlying NME cases. Respondent argues that, contrary to petitioner's argument, NME producers will purchase domestic materials when the domestic price is less than the import price. Respondent claims that in *Sigma Corp.* v. *United States*, 117 F.3d 1401 (Fed. Cir. 1997) (*Sigma*), the court suggested that the Department may not assume that the NME producers purchase domestic materials at a higher delivered price than that for imported materials.

Department's Position

We disagree with petitioner. In general, the purpose of the antidumping statute is to ''determine margins as accurately as possible.'' *Rhone Poulenc, Inc.* v. *United States*, 899 F.2d 1185, 1190 (Fed. Cir. 1991). Section 773 (c)(4) of the Act, the provision for factors of production methodology, was intended to be used when NME prices and costs are unreliable, *i.e.*, not market-based. *See, e.g.*, S. Rep. No. 93–1298, 93d Cong., 2d Sess. 174 (1974). The purpose of section 773(c) is to determine what the firm's prices or costs would be if such prices or costs were determined by market forces.

Because the statute does not explicitly address the situation in which an NME producer imports some inputs from market economies, *cf.* 19 U.S.C. § 1677b(c), the Department has determined that if an NME producer reports prices that are based on inputs from market-economy suppliers, it is appropriate to use those prices instead of a surrogate value, if the amounts purchased are meaningful, *i.e.*, they are not insignificant. The Department has applied this practice consistently in recent years, *See Melamine,* 62 FR at 1710, and has received affirmation of this practice in court decisions. *See, e.g., Lasko,* 43 F.3d at 1446, as cited by respondents. The Department subsequently codified this practice in Section 351.408(c)(1) of the *Antidumping Duties; Countervailing Duties; Final Rule,* published in the **Federal Register** on May 19, 1997 (62 FR 27296, 27413) (*Final Rule*). As explained in the background section of the those regulations, the only situation in which we would not rely on the price paid by an NME producer to a market economy supplier is where the quantity of the input purchased was insignificant. *See Final Rule,* 62 FR at 27366.

In factor valuation, the Department has developed practices which emphasize accuracy, fairness, and predictability. The Department stated that ''the simplest example of a value based on market principles in a proceeding involving an NME is a price paid in convertible or market economy currency for an input sourced from a market economy country.'' (*See Fans,* Comment 1.) In this instant case, the amount of steel imported is approximately equal to one-third of the amount used to produce the subject merchandise during the period of review. We consider this to be a meaningful amount, *i.e.*, it is not insignificant, for purposes of using the market-economy input price to value all of the steel used to produce the subject merchandise. In this respect, the Department's determination to value all steel inputs using the market-economy input prices respondent actually paid is consistent with these goals and practices.

Petitioner's contention that imported steel and domestically-produced steel constitute separate factors of production is, in effect, just another way of arguing that we should value them separately. There is no evidence that the imported steel is physically different from the domestically-sourced steel, such that the imported steel should be considered a different factor of production from the domestically-sourced steel.

Therefore, in accordance with the Department's established practice, we continue to use the actual imported steel prices to value steel inputs because these prices represent the actual market-based prices incurred by the respondent in producing the subject merchandise and, as such, are the most accurate and appropriate values for this particular factor for the purpose of calculating NV.

Comment 2: Adjusting Imported Steel Prices for Inflation.

Petitioner asserts that if the Department uses import prices for the final results, the Department should adjust the import prices to reflect the period of review (POR) where those import prices are used to value non-imported steel used to produce HSLWs. Petitioner recognizes that the Department has not made adjustments in the past to values based on market-economy prices, but argues that the Department's approach does not apply to the facts of this case.

Respondent asserts that the prices for imported steel already reflect the POR price levels because ZWG imported the steel during the POR and, therefore, the prices do not need adjustment.

Department's Position: We agree with respondent. Because the prices for the steel imports used to value the steel factor are POR prices, there is no need for any further adjustment to account for inflation.

Comment 3: Movement Expenses for Imported Steel.

Petitioner asserts that the Department should value imported steel by including all costs, such as brokerage and handling fees and transportation from the port to the factory, and adjust these costs for inflation. Petitioner cites *Sebacic Acid from the People's Republic of China; Final Results of Antidumping Duty Administrative Review* (62 FR 10530, March 7, 1997) (*Sebacic Acid*), where the Department added PRC brokerage and freight from the port to the factory for market-economy inputs. Petitioner states that, although the preliminary results mention that the Department ''made further adjustments to account for the freight costs incurred between the port and ZWG,'' a review of the calculations reveals that this adjustment may have not be included.

Department's Position: We agree with petitioner in part. While we agree that the Department should value the non-surrogate, market-economy actual prices by including all expenses such as brokerage and handling and transportation from the port to the factory, the facts of this case make changes to the preliminary results unnecessary. *See* the proprietary version of ''Memo to the File: Analysis for the Final Results of the Third Administrative Review of Certain Helical Spring Lock Washers from the People's Republic of China,'' dated November 10, 1997 (Final Analysis Memo), for a discussion on movement adjustments.

Comment 4: Steel Scrap.

Petitioner asserts that the Department grossly distorted the net cost of the steel input to the Chinese producer by using a non-surrogate import price for steel and a surrogate value for steel scrap. Petitioner claims that scrap value is based on a relationship between steel (from which the scrap steel generated) and scrap which can be recycled. Petitioner maintains that the steel scrap value in India (the surrogate country) is different from the scrap value in the United Kingdom (the non-surrogate country from which ZWG purchased the steel).

Petitioner suggests that the Department correct this distortion by using the scrap value in the United Kingdom or applying the ratio of scrap value-to-steel value in India to the imported (U.K.) steel value in order to value the Chinese producer's scrap.

Respondent states that the Department correctly valued steel scrap in the preliminary results. Respondent argues that petitioner failed to provide any supporting evidence for its arguments. Respondent maintains that petitioner failed to provide any factual evidence showing that Indian import prices of steel scrap are not appropriate to value the steel scrap generated by ZWG from the consumption of steel wire rod from the United Kingdom. Respondent contends that petitioner further failed to provide any links between steel wire rod prices and steel scrap prices.

Respondent also asserts that the Department must use a surrogate value for steel scrap because respondent sold the steel scrap in the PRC in PRC currency. Respondent adds that

petitioner failed to provide any surrogate information on the value of steel scrap.

Department's Position: We disagree with petitioner's assertions that we distorted the cost of the steel input by valuing steel using actual prices respondent paid for U.K. steel and valuing scrap using surrogate prices from India. Petitioner did not provide any evidence to support its claim of a clear relationship between the prices of steel and scrap. Even if petitioner had established that such a relationship exists, there are no data on the price of scrap imported from the United Kingdom into the PRC.

Moreover, we compared the prices of steel scrap imported into India, Indonesia, Canada, the European Community, the United Kingdom, and the United States during a period contemporaneous with the POR. We were unable to obtain statistics on prices of steel scrap imported into Pakistan, Sri Lanka, and Egypt, which were potential surrogate countries. Our analysis of the Indian imports of steel scrap from the *Monthly Statistics of the Foreign Trade of India* (*MFTI*) show that the price of steel scrap imports into India are not aberrational. (*See* ''Memo to the File: Comparison of Steel Scrap Values for the Final Results of the Third Administrative Review of Certain Helical Spring Lock Washers from the People's Republic of China'' (Steel Scrap Price Comparison Memo), November 7, 1997.) Therefore, in accordance with our established practice of valuing factors of production using surrogate values that are demonstrated to be a reliable reflection of prices during the POR, we are continuing to use Indian import price from *MFTI* to value steel scrap for the final results.

Comment 5: Hydrochloric Acid.

Petitioner argues that the Department included three aberrational values for determining the average hydrochloric acid (HCL) value. Petitioner claims that, because the Department has consistently avoided using aberrational values, these aberrational values should be omitted in the final results.

Respondent asserts that the Department correctly valued HCL using *Chemical Weekly*'s FOB prices, except for freight costs associated with the HCL. Respondent argues that because petitioner failed to identify any specific data as aberrational and failed to provide any supporting evidence for its argument, the Department should reject petitioner's argument.

Department's Position: We agree with petitioner. We analyzed the HCL values published in each of the *Chemical Weekly* issues used for this review and found that two issues, February 14–20, 1996, and April 15–20, 1996, contained values at least 12 times the average value. The values of these two issues seem to be related to exceptionally low quantities of HCL exports. We excluded these values from the final calculations. We found a clerical error in the transcription of one HCL price from the July 27–31, 1996, issue, used to calculate a surrogate value in the preliminary results. Therefore, in the final calculations, we have corrected this price. (*See* Final Analysis Memo.)

Comment 6: Adjustments for Chemical Purity.

Respondent asserts that the Department should calculate the ratio of the purity of chemical inputs consumed to the purity of the chemicals as sold commercially and apply this ratio to the Indian import data. Respondent argues that the Department adopted this methodology in past NME cases and refers to the calculation memoranda for several proceedings, including *Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails from the People's Republic of China* (62 FR 25899, May 12, 1997) and *Notice of Final Determination of Sales at Less Than Fair Value: Beryllium and High Beryllium Alloys from the Republic of Kazakstan* (62 FR 44293, January 17, 1997).

Petitioner asserts that there is insufficient information on the record for the Department to adjust values for chemical concentration. Petitioner argues that to adjust chemical concentrations, the Department must ascertain the actual chemical concentration from which the value was derived and must determine which additional chemicals were used to dilute or alter the concentration of the chemical. Petitioner argues that the Department must value the additional chemicals. Petitioner adds that even this suggested methodology may result in underreporting the value of the diluted chemical because of the additional costs of performing the dilution, such as labor, equipment, and energy.

Department's Position: We agree, in part, with respondent's assertions that we should make adjustments for chemical purity, as we have done in previous cases. For inputs where the chemical concentration levels of the HTS categories are defined in the Indian import statistics, and where respondent reported chemical concentration levels used, we have made adjustments accordingly.

However, there is no evidence on the record with regard to the chemical concentration levels associated with all chemical inputs in the *MFTI.* Absent any evidence that they do not reflect standard concentrations commonly sold, an adjustment is unwarranted. Where the information regarding the level of chemical concentration is insufficient, we have not made any adjustment. (*See* Final Analysis Memo.)

Comment 7: HCL Concentration.

Petitioner asserts that the Department erred in adjusting HCL concentration. Petitioner argues that the Department purportedly adjusted HCL surrogate values to match the reported concentration although the surrogate data did not indicate concentration level.

Petitioner also asserts that, because the HCL used to make HSLWs is already diluted, the Department must, in calculating the value of the diluted HCL, include the value of the diluting water or chemical.

Respondent contends that the Department will double-count water if it values the water for diluting HCL separately from factory overhead and electricity values, as suggested by petitioner. Respondent claims that the water inputs were included in factory overhead for the production factory and were included and valued in electricity inputs for the plating factory in the preliminary calculations.

Department's Position

We agree, in part, with petitioner regarding an adjustment to the value of HCL based on concentration level. As we mentioned in Comment 6, for inputs where the chemical concentration levels are defined in the surrogate value source, and where respondent reported chemical concentration levels used, we have made adjustments. However, there is no evidence on the record with regard to the HCL concentration level associated with the HCL prices in *Chemical Weekly.* Absent any evidence that they do not reflect standard concentrations commonly sold, an adjustment is unwarranted. Therefore, we have not adjusted the surrogate value for HCL for concentration level in the final results. (*See Notice of Final Determination of Sales at Less Than Fair Value: Saccharin from the People's Republic of China,* 59 FR 58818, Comment 4, November 15, 1994 (*Saccharin*).)

We disagree with petitioner's assertions that the diluting agent, water or another chemical, should be included in calculating the value of the HCL. We have no basis to conclude that respondent did not report all input amounts required to produce HSLWs, regardless of the manner in which the input enters the production process.

Therefore, the value of the diluting agent is accounted for in the values for water and other chemical inputs.

Comment 8: Freight Costs.

Respondent disputes the Department's addition of freight costs to the imported steel prices and to the input prices obtained from *MFTI* because these prices include foreign inland freight and ocean freight costs. Respondent asserts that, by adding the freight costs to these prices, the Department double-counted the freight costs. Respondent argues that, in *Sigma*, the court prohibited the Department from such double-counting. Respondent suggests that the Department value the freight cost of PRC-sourced material based on the reported distance and method of transportation from the importing seaport to the factory, where that cost is lower than the calculated freight costs based on actual distance and method of transportation from the domestic supplier. Respondent contends that these adjustments are in accordance with the *Sigma* ruling.

Petitioner asserts that a change to the Department's adjustment to material inputs for domestic freight costs is not warranted. Petitioner argues that respondent has not indicated why or to what extent any inland freight expense should be adjusted to accord with *Sigma*.

Department's Position: We agree with respondent that the Department should adjust freight costs of the inputs in accordance with *Sigma*. In *Sigma*, the court ruled that the Department overvalued freight when it added to the surrogate value for a material input, which was obtained from the import statistics of the surrogate country, an amount for freight from the NME supplier factory to the NME factory. The court reasoned that a manufacturer would minimize its material and freight costs by purchasing imported material if the cost of transportation from the port to the factory were less than the cost of transportation from the domestic supplier to the factory. For the final results, we adjusted the CIF surrogate values by revaluing freight expenses based on the shorter of two distances: the distance from the port of import to the factory or the distance from the actual supplier to the factory. (*See Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails from the People's Republic of China* (62 FR 51410, 51414, October 1, 1997) (*Roofing Nails*).) In situations where an input is purchased from several suppliers, we adjusted the value for inland freight by comparing the distance from the port of import to the factory to the distance from each supplier to the factory. We then multiplied the shorter of the distances for each supplier by the proportion of the input purchased from each supplier to calculate the weighted average inland freight expense for each input.

Comment 9: HCL Freight Expense.

Respondent asserts that the Department should not add freight costs for transporting HCl from PRC suppliers to respondent's factories to the *Chemical Weekly* price because the *Chemical Weekly* price is an FOB Indian export price. Respondent argues that because the price is an FOB Indian seaport price, it includes both the ex-factory price of HCl and the transportation costs thereof from an Indian factory to an Indian seaport. Respondent maintains that the Department double-counted freight costs for HCl by adding PRC domestic freight costs to the domestic transportation costs included in the surrogate value.

Respondent adds that the Department did not include the domestic freight costs in the respondent's country when the Department used *Chemical Weekly*'s FOB Indian seaport price in past NME cases. Respondent cites the April 22, 1996 Factors Valuation Memorandum for the *Notice of Final Determination of Sales at Less Than Fair Value: Bicycles from the People's Republic of China* (61 FR 19026, April 30, 1996) (*Bicycles*) and the October 22, 1995 Valuation Memorandum for the *Notice of Final Determination of Sales at Less Than Fair Value: Polyvinyl Alcohol from the People's Republic of China* (61 FR 14057, March 29, 1996) (Polyvinyl Alcohol), in which the Department did not add freight to the surrogate value.

Petitioner asserts that the Department should continue to add domestic PRC freight costs to the value for HCL because specific distance and transportation modes for moving the HCL from the supplier to respondent's factory, and for moving the HCL in the surrogate country from supplier to port of export, are not identified on the record. Petitioner argues that respondent reported the HCL transportation distance as short and the mode as truck, while transportation distance and mode are unknown for the Indian HCL surrogate value.

Department's Position

We agree with respondent that freight costs for transporting HCL from the PRC suppliers to the factory should not be added to the surrogate value. When we use, as a surrogate for respondent's materials costs, the cost of the material in a surrogate country, this cost should include the cost of transporting the merchandise to the consumer in the surrogate country. In the preliminary results, we relied on *Chemical Weekly* for a surrogate value for HCL. The HCL prices in *Chemical Weekly* are based upon FOB export prices from the surrogate country, India. FOB export prices by definition include the cost of transporting the merchandise from the Indian supplier to the Indian port. We consider this cost to be equivalent to the cost of transporting the merchandise from the Indian supplier to the Indian consumer. *See* the factor valuation memos for *Bicycles* and *Polyvinyl Alchohol*. Therefore, for these final results we have not added any additional freight to the FOB value.

Petitioner's assertions that the record does not provide specific information from which the Department can calculate freight costs is moot because there is no need to calculate such costs.

Comment 10: Wood Pallets.

Respondent asserts that the Department should value the wood pallet input by using HTS 4403.2000, ''sawlogs and veneerlogs in rough w/n striped of bark or merely rough down,'' instead of HTS 4415.1000, ''cases, boxes, crate, drum and similar packings—cable drums of wood,'' because respondent produces finished pallets itself. Respondent states that because it uses the same wood to produce wood brackets and wood pallets, the Department should value wood for pallets using the same HTS number it used to value wood brackets, HTS 4403.2000. Respondent argues that, during the investigation, the Department verified that respondent produces finished pallets. Respondent contends that because the Department added the value for finished wood pallets, using HTS 4415.1000, and the values for wood, nails, and packing labor in the NV calculation, the Department double-counted the costs of wood, nails, and packing labor.

Respondent also asserts that, even if the Department determines not to use input values under HTS 4403.2000, the Department should use HTS 4415.2000 to minimize double-counting. Respondent argues that MFTI classifies wood pallets under HTS 4415.2000, which states ''pallet box, pallets, and other load boards of wood.'' Respondent maintains that in comparison to the MFTI definition of HTS 4415.1000, ''cases, boxes, crates, drums, and similar packing cable drums of wood,'' it is clear that MFTI includes a wood pallet in HTS 4415.2000.

Petitioner asserts that the Department correctly valued pallets using the surrogate value for the finished pallet. Petitioner states that the Department can

choose to value the finished pallets or construct the value of the pallet from labor, material (including scrap), tools, energy, transportation, and overhead. Petitioner argues that, if all the inputs are not available, the Department must use surrogate values. Petitioner adds that the Department should include the cost of brackets and labor, etc., to account for additional packing expense in addition to using surrogate values for pallets.

Department's Position: We agree with respondent that we should value pallets using HTS 4403.2000, a surrogate value for the wood used to construct the wood pallets, because respondent constructs the pallets, instead of HTS 4415.100, a surrogate value for the finished pallet, as used in the preliminary results. In the preliminary results, because we valued finished pallets, as well as materials used to construct the pallets, such as nails and wood brackets, we overstated the value of pallets. This change in methodology is in accordance with the Department's determination in the *Final Results of Antidumping Administrative Review of Heavy Forged Hand Tools, Finished or Unfinished, With or Without Handles, from the People's Republic of China* (61 FR 15028, Comment 3, April 4, 1996) (*Hand Tools*). In *Hand Tools,* the Department determined that ''we should value the pallets using the factor and surrogate values for wood, nails, and packing labor, separately, rather than for the complete pallet. The information on the record at the time of the preliminary results indicates that the factories make the pallets from wood and nails rather than purchase the completed pallet.''

We agree with petitioner's assertions that the Department should include the cost of labor, material, tools, energy, transportation, and overhead in constructing the value for the pallet. Respondent separately reported consumption amounts for wood, depending upon its application, and for nails; thus, respondent reported materials used to construct the finished pallet. (*See* Respondent's January 21, 1997 and February 21, 1997 submissions.) We have no basis in the record to conclude that the packing labor amounts required to construct the pallets is not included in the reported input amounts for packing labor, or that the energy amounts required to construct the pallets are not included in the reported amounts for energy. We also consider, in this instant case, that expenses for tools and transportation of pallet materials are included in overhead. Therefore, because the expenses for labor, tools, energy, transportation, and overhead incurred in the construction of wood pallets have been valued as mentioned above, we find that further adjustments are not warranted.

Comment 11: Error in Valuing Wood Pallets and Coal.

In the preliminary results, the Department used data from the February 1995 (April 1994 to February 1995) and August 1996 (April 1995 to August 1996) issues of *MFTI* to value wood pallets and coal inputs. Respondent asserts that the Department should value inputs using data most contemporaneous with the POR when determining the final results. Specifically, respondent requests that the Department use data from the March 1996 (April 1995 to March 1996) issue of *MFTI*, rather than the April 1994 to February 1995 data, to value wood pallets. Respondent argues that the April 1995 to March 1996 data are most contemporaneous with the POR.

Petitioner asserts that the Department should use only the April 1995 to August 1995 data from *MFTI* to value coal and wood pallets. Petitioner argues that these values for a five-month period most closely reflect the values for the POR.

Petitioner also asserts that the Department included the wholesale price index (WPI) for March 1995 when inflating the value, although March 1995 was not included in either data source used in the preliminary results. Petitioner argues that if the Department uses both data sources, the Department should not include the WPI for March 1995 in the inflator calculation.

Department's Position: We agree with both respondent's and petitioner's premise that the Department should use data most contemporaneous with the POR to value inputs for the final results. For the final results, we obtained and used Indian import statistics from *MFTI* for the period September 1995 through June 1996 to value wood for pallets and coal for the final results. Therefore, we have used values for a ten-month period that most closely reflects the POR.

We agree with petitioner's assertion that the Department should not have included the WPI for March 1995 in the calculation of the inflator for coal and wood. However, because we have not used the March 1995 data in the final results, we have not included the March 1995 WPI in the calculation of the inflator.

Comment 12: Labor.

Petitioner asserts that the Department should use a different category for valuing plating labor if the Department bases labor values from the *1995 Yearbook of Labour Statistics* (*YLS*). Petitioner argues that the plating labor should be valued using categories 351, ''manufacture of industrial chemicals,'' and 352, ''manufacture of other chemical products,'' instead of using category 381, ''manufacture of fabricated metal products.''

Petitioner also asserts that the Department should use different values for skilled and unskilled labor. Petitioner argues that the use of one average labor value does not accurately reflect the cost of labor mix used to produce HSLWs. Petitioner references *Sulfanilic Acid from China; Preliminary Results of Antidumping Duty Administrative Review* (62 FR 25917, May 12, 1997) (*Sulfanilic Acid*), where the Department selected surrogate values broken out into skilled labor and unskilled labor from the Economist Intelligence Unit's *Investing, Licensing and Trading Conditions Abroad* (*ILT*).

Petitioner further asserts that the Department should reject labor values used in the preliminary results because these values do not include fringe benefits and bonuses. Petitioner suggests that the Department use *ILT* because it was used in other cases covering the same POR and does include those benefits.

Respondent states that the Department correctly selected category 381 in the *YLS* as the labor category equivalent to ZWG's plating labor. Respondent argues that categories 351 and 352, suggested by petitioner, only include labor information related to the manufacture of industrial chemicals and other chemical products. Respondent states that its plating factory did not manufacture any chemicals or chemical products. Rather, respondent argues, the plating factory consumes chemicals and chemical products in plating HSLWs, which are metal products. Respondent contends that the plating factory is engaged in the manufacture of metal products, which is classified as category 381 in *YLS*.

Respondent agrees with the Department's use of one labor value. Respondent asserts that petitioner did not provide any information showing separate values for skilled and unskilled labor and that no such data are available to the Department.

Respondent agrees with the Department's use of *YLS* to value labor inputs. Respondent argues that the Department should not use *ILT* because the Department has consistently rejected it as a source for surrogate labor values because the data are not based on actual data.

Finally, respondent requests that the Department value labor for the final results using updated labor rates.

Department's Position: We disagree with petitioner's suggestion that the Department should use categories 351 and 352 for valuing plating labor. The labor used in plating HSLWs represents labor used in the manufacture of fabricated metal products. Though the labor used in plating utilizes chemicals, it is not used to manufacture chemicals. We have continued to value all labor using category 381.

We disagree with petitioner's assertion that the Department should use *ILT* to value labor because it provides different values for skilled and unskilled labor and includes fringe benefits and bonuses. The Department has routinely used *YLS* to value labor because the *ILT* reports labor rate estimates based on rates stipulated in various Indian laws and not based upon actual wage rates.

Additionally, we disagree with petitioner's assertion that the *YLS* data used in the preliminary results does not include fringe benefits and bonuses. The Department considers the ILO statistics, such as the *YLS* data, to be fully loaded with respect to all labor expenses. (*See Polyvinyl Alcohol,* 61 FR at 14061.) Accordingly, because the use of *YLS* is consistent with the Department's established practice, the *YLS* has been determined to include all expenses associated with labor, and the *ILT* data have been determined to be an inappropriate source for wage rates, we have continued to use *YLS* for the final results. (*See Certain Helical Spring Lock Washers From the People's Republic of China; Final Results of Antidumping Administrative Review,* 61 FR 66255, 66259, December 17, 1996, *Chrome-Plated Lug Nuts from the People's Republic of China; Final Results of Antidumping Duty Administrative Review,* 61 FR 58519, 58522, November 15, 1996.)

Comment 13: Water.

Respondent requested that the Department calculate ZWG's production cost without valuing water. Respondent asserts that the Department double-counted the water input by valuing water in addition to valuing factory overhead for ZWG. Respondent contends that the reported water input for ZWG represents water used at the HSLW production factory, not at the plating factory. Respondent claims that because the HSLW factory's water was supplied by a public utility during the POR, was not physically incorporated into the HSLWs, and was not a major indirect material input which could be separately valued, ZWG's water consumption meets the criteria established in *Saccharin* for inclusion in factory overhead. Respondent argues that the Department has established the practice of including the value of water inputs in the value of factory overhead where water is supplied by a public utility or by a nearby body of water and refers to *Saccharin, Sebacic Acid, Sulfanilic Acid from the People's Republic of China* (61 FR 53711, October 15, 1996), *Polyvinyl Alcohol, Disposable Lighters from the People's Republic of China* (60 FR 22359, May 5, 1995), *Silicon Carbide from the PRC* (59 FR 22585, May 2, 1994), and *Coumarin.* Respondent adds that in *Sebacic Acid,* the Department stated that it presumes factory overhead values obtained from the *Reserve Bank of India Bulletin,* the factory overhead source used in the instant review, to include values for water.

Petitioner asserts that the Department correctly valued water in the preliminary determination. Petitioner states that respondent correctly cited *Saccharin* where the Department considered water an overhead item. Petitioner argues that respondent failed to mention that the Department also stated in *Saccharin* that water required for a particular segment of the production process may ''be more typical of items that are accounted for as direct material inputs, rather than as overhead item, and as such, valued separately.'' Petitioner asserts that the Department should value water as a separate input factor in plating because water is directly incorporated into the final product.

Department's Position: We disagree with respondent and have continued to include the water inputs as material inputs in the calculations of production cost of ZWG's factory. Following the Department's criteria in *Saccharin,* we value water if it is required for a particular segment of the production process. (*See Saccharin,* 59 FR 58818, Comment 7, November 15, 1994.) Based upon respondent's description of the production process, we consider respondent's use of water in the acid treatment as required for that particular segment, because the steel wire rod must be rinsed with water after an acid bath. (*See* Exhibit 5 of respondent's January 21, 1997 submission.) Because the water for ZWG's HSLW production factory is a required input for a particular segment of the HSLW production process, the Department's practice is to value it separately like other direct material inputs required in the production process. Moreover, in determining whether an input should be valued separately or considered valued in overhead, the Department stated in *Bicycles* that, the input in question should be valued separately if it is ''* * * essential for producing the finished product * * *.'' and if this input appears ''* * * to be [a] significant input[s] into the manufacturing process rather than miscellaneous or occasionally used materials, i.e., cleaning supplies which might normally be included in consumables.'' Based upon respondent's submission, water is a significant input into the manufacturing process. (*See* Exhibit 9 of the proprietary versions of respondent's January 21, 1997 submission and Final Analysis Memo.)

Unlike the instant case, in *Sulfanilic Acid,* the Department included the water value in the factory overhead value because respondents pumped water from their own wells for use in the production process and recirculated the water. (*See Sulfanilic Acid,* 61 FR at 53716.) However, in *Saccharin,* the Department valued water purchased by respondent separately, because it was considered to be a direct input in the production of the finished product. (*See Saccharin,* Comment 7.) Also, in *Porcelain-on-Steel Cooking Ware From the People's Republic of China; Final Results of Antidumping Duty Administrative Review,* 62 FR 32757, 32759, 32762, June 17, 1997, the Department considered water consumed in the production process as a direct material input and valued it as such. Although respondent's HSLW factory purchased water from a public utility, that alone is not dispositive as to how it should be valued. Here, as in *Saccharin* and *Porcelain-on-Steel,* the water was also a required input in a particular segment of the production process. Therefore, we have valued it as a separate input.

Disposable Pocket Lighters and the other cases on which respondent relies, do not indicate whether respondent purchased the water, consumed the water as a direct input, or required the water for producing the finished product. Moreover, with regard to considering the *Reserve Bank of India Bulletin* (*RBIB*) factory overhead values as inclusive of water values, the Department stated in *Disposable Pocket Lighters* that, ''the *RBIB* data did not indicate to the contrary.'' (*See Disposable Pocket Lighters,* 60 FR at 22367.)

In the instant case, as we have explained, water purchased from the public utility is not an incidental input into the production process. Rather, it is a direct input required for a particular segment of the production process. Additionally, there is no basis for

determining whether water is included in the factory overhead value in the *RBIB*, and thus no basis for an adjustment. Therefore, in the final results, we are continuing to value water for ZWG's factory in accordance with the Department's practice in the previous segments of this case, as well as its position in previous cases.

Comment 14: Aberrational Factor Values.

Respondent asserts that the Department should not use data from the June 1996 *MFTI* to value trisodium phosphate (HTS 2835.23.00), cases, boxes, crates, and drums (HTS 4415.10.00), and pallets and load boards (HTS 4415.20.00), because respondent claims that the data are aberrational.

Department's Position: We agree with respondent's assertion that the value in the June 1996 *MFTI* for trisodium phosphate, HTS 2835.23.00, is aberrational, apparently due to the extraordinarily low quantity reported. Because we could not obtain more contemporaneous data to value trisodium phosphate, we have continued to use the March 1996 issue of *MFTI*, covering the period April 1995 through March 1996.

Respondent's comments regarding the issue of the valuation of pallets using data in the June 1996 *MFTI* for cases, boxes, crates, and drums (HTS 4415.10.00), and pallets and load boards (HTS 4415.20.00), are moot because we did not value pallets using HTS 4415.10.00 or HTS 4415.20.00 in the final results. (*See* Comment 10.)

Additional Changes for the Final Results

For the final results of this review, we have updated most surrogate values based on *MFTI*. Additionally, we have updated the labor surrogate value using the *1996 YLS*. (*See* Final Analysis Memo.)

Final Results of the Review

As a result of the comments received, we have changed the results from those presented in the preliminary results of the review:

Manufacturer/exporter	Time period	Margin (percent)
Zhejiang Wanxin Group Co., Ltd	10/01/95–09/30/96	14.15

The Department shall determine, and the Customs service shall assess, antidumping duties on all appropriate entries.

Individual differences between Untied States price and normal value may vary from the percentages stated above. The Department will issue appraisement instructions directly to the Customs service.

Furthermore, the following deposit rates will be effective upon publication of these final results for all shipments of HSLWs from the PRC entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided for by section 751(a)(1) of the Act: (1) for ZWG, which has a separate rate, and all ZWG exports through market-economy trading companies, the cash deposit rate will be the company-specific rate established in these final results of review; (2) for all other PRC exporters, the cash deposit rate will be 128.63 percent, the PRC rate established in the less-than-fair-value investigation of this case; and (3) for non-PRC exporters of subject merchandise from the PRC, the cash deposit rate will be the rate applicable to the PRC supplier of that exporter.

These deposit rates shall remain in effect until publication of the final results of the next administrative review.

This notice also serves as a final reminder to importers of their responsibility under 19 CFR 353.26 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 a reminder to parties subject to administrative protective orders (APOs) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 353.34.(d)(1). 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 the terms of an APO is a sanctionable violation.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675(a)(1)) and 19 CFR 353.22.

Dated: November 10, 1997.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

[FR Doc. 97–30397 Filed 11–18–97; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–807]

Polyethylene Terephthalate Film, Sheet and Strip From the Republic of Korea, Initiation and Preliminary Results of Changed Circumstances Antidumping Duty Administrative Review

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

ACTION: Notice of Initiation and Preliminary Results of Changed Circumstances Antidumping Duty Administrative Review.

SUMMARY: The Department of Commerce (the Department) has received information sufficient to warrant initiation of a changed circumstances administrative review of the antidumping duty order on polyethylene terephthalate film, sheet, and strip from Korea (56 FR 25669 (June 5, 1991)). On July 5, 1996, Cheil Synthetics, Inc. (Cheil) was revoked from the order based on three consecutive years of no dumping. (*See Polyethtylene Terephthalate Film, Sheet, and Strip from the Republic of Korea; Final Results of Antidumping Duty Administrative Reviews and Notice of Revocation in Part*, 61 FR 35177 (July 5, 1996).) Based on information provided in its September 29, 1997 letter, we preliminarily determine that Saehan Industries, Inc. (Saehan) is the successor firm to Cheil, and therefore, the Department's revocation of Cheil applies to Saehan.

Interested parties are invited to comment on these preliminary results.

EFFECTIVE DATE: November 19, 1997.

FOR FURTHER INFORMATION CONTACT: Michael J. Heaney at (202) 482–4475 or Linda Ludwig at (202) 482–3833, AD/CVD Enforcement Office Eight, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act by the Uruguay