all-others rate. Where the data is not available to weight average the facts available rates, the Statement of Administrative Action accompanying the URAA, H.R. Rep. No. 103–316, (''SAA''), at 873, provides that we may use other reasonable methods. Inasmuch as we do not have the data necessary to weight average the respondents' facts available margins, we are continuing to base the all-others rate on a simple average of the margins in the petition (as adjusted by the Department), 19.45 percent.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(4)(A) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel wire rod from Germany, as defined in the ''Scope of Investigation'' section of this notice, that are entered, or withdrawn from warehouse, for consumption on or after March 5, 1998, the date of publication of our preliminary determination in the **Federal Register**. For these entries, the Customs Service will require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the export price as shown below. This suspension of liquidation will remain in effect until further notice.

MFR/Producer/Exporter	Margin percentage
Krupp Edelstahlprofile GmbH, Krupp Hoesch Steel Products	21.28
BGH Edelstahl Freital GmbH	21.28
All-Others	19.45

The all-others rate applies to all entries of subject merchandise except for the entries of merchandise produced by the exporters/manufacturers listed above.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (''ITC'') of our determination. As our final determination is affirmative, the ITC will determine whether these imports are causing material injury, or threat of material injury, to the industry within 45 days of its receipt of this notification.

If the ITC determines that material injury, or threat of material injury, does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 777(i) of the Act.

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–20019 Filed 7–28–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

(A–588–843)

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Japan

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

EFFECTIVE DATE: July 29, 1998.

FOR FURTHER INFORMATION CONTACT: Sunkyu Kim or John Maloney, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230; telephone: (202) 482–2613 or (202) 482–1503, respectively.

Applicable Statute and Regulations

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

Final Determination

We determine that stainless steel wire rod (SSWR) from Japan is being sold in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins of sales at LTFV are shown in the ''Continuation of Suspension of Liquidation'' section of this notice, below.

Case History

Since the preliminary determination in this investigation on February 25, 1998 (*see Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod from Japan*, 63 FR 10854 (March 5, 1998) (Preliminary Determination)), the following events have occurred:

In February 1998, we issued supplemental requests for information to the three participating respondents in this case: Daido Steel Co., Ltd. (Daido); Nippon Steel Corp. (Nippon); and Hitachi Metals, Ltd. (Hitachi) (collectively, the respondents). We received responses in February and March 1998.

In March 1998, we received revised cost data from Nippon reflecting cost breakouts for ultra-fine (UF) rod, and we received revised sales and cost information from Daido. In addition, on March 18, 1998, we issued an amended preliminary determination in this investigation (*see Notice of Amended Preliminary Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod from Japan*, 63 FR 14066 (March 24, 1998)).

In March and April 1998, we verified the questionnaire responses of the respondents. In May and June 1998, the respondents submitted revised sales databases, reflecting verification revisions, at the Department's request.

On June 1, 1998, the petitioners (*i.e.*, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and the United Steel Workers of America, AFL–CIO/CLC), and Nippon and Hitachi submitted case briefs. On June 8, 1998, the petitioners and the respondents submitted rebuttal briefs. The Department held a public hearing on June 10, 1998.

Scope of Investigation

For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire-drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches diameter. Two stainless steel grades, SF20T and K–M35FL, are excluded from the scope of the investigation. The chemical makeup for the excluded grades is as follows:

SF20T

Carbon	0.05 max.
Manganese	2.00 max.
Phosphorous	0.05 max.
Sulfur	0.15 max.
Silicon	1.00 max.
Chromium	19.00/21.00.
Molybdenum	1.50/2.50.
Lead	added (0.10/0.30.
Tellurium	added (0.03 min).

K–M35FL

Carbon	0.015 max.
Silicon	0.70/1.00.
Manganese	0.40 max.
Phosphorous	0.04 max.
Sulfur	0.03 max.
Nickel	0.30 max.
Chromium	12.50/14.00.
Lead	0.10/0.30.
Aluminum	0.20/0.35.

The products under investigation are currently classifiable under subheadings 7221.00.0005, 7221.00.0015, 7221.00.0030, 7221.00.0045, and 7221.00.0075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Period of Investigation

The period of investigation (POI) is July 1, 1996, through June 30, 1997.

Facts Available

In the preliminary determination, the Department found that Sanyo Special Steel Co., Ltd. (Sanyo) and Sumitomo Electric Industries Ltd. (SEI) failed to respond fully to our questionnaire. Accordingly, for the preliminary determination, the Department based the antidumping margins for these companies on facts otherwise available and assigned them Daido's margin of 31.38 percent, which was the higher of either the highest margin in the petition or the highest margin calculated for a respondent. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Stainless Steel Wire Rod From Japan*, 63 FR 10854, 10855 (March 5, 1998). Neither company submitted comments on the Department's preliminary determination to use facts available. Accordingly, for the final determination, the Department has continued to base the antidumping margins for these companies on facts otherwise available and assigned them Daido's margin of 34.21 percent, which was the higher of either the highest margin in the petition or the highest margin calculated for a respondent.

Fair Value Comparisons

To determine whether sales of SSWR from Japan to the United States were made at less than fair value, we compared the Export Price (EP) or Constructed Export Price (CEP) to the Normal Value (NV). Our calculations followed the methodologies described in the preliminary determination.

On January 8, 1998, the Court of Appeals for the Federal Circuit issued a decision in *CEMEX* v. *United States*, 1998 WL 3626 (Fed Cir.). In that case, based on the pre-URAA version of the Act, the Court discussed the appropriateness of using CV as the basis for foreign market value (presently normal value) when the Department finds home market sales to be outside the ''ordinary course of trade.'' This issue was not raised by any party in this proceeding. However, the URAA amended the definition of sales outside the ''ordinary course of trade'' to include sales below cost. *See* Section 771(15) of the Act. Consequently, the Department has reconsidered its practice in accordance with this court decision and has determined that it would be inappropriate to resort directly to CV, in lieu of foreign market sales, as the basis for NV if the Department finds foreign market sales of merchandise identical or most similar to that sold in the United States to be outside the ''ordinary course of trade.'' Instead, the Department will use sales of similar merchandise, if such sales exist. The Department will use CV as the basis for NV only when there are no above-cost sales that are otherwise suitable for comparison. Therefore, in this proceeding, when making comparisons in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the ''Scope of Investigation'' section of this notice, above, that were in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics listed in Sections B and C of our antidumping questionnaire. We have implemented the Court's decision in this case, to the extent that the data on the record permitted.

In instances where a respondent has reported a non-AISI grade (or an internal grade code) for a product that falls within a single AISI category, we have used the actual AISI grade rather than the non-AISI grades reported by the respondents for purposes of our analysis. However, in instances where the chemical content ranges of reported non-AISI (or internal grade code) grades are outside the parameters of an AISI grade, we have used, for analysis purposes, the grade code reported by the respondents. For further discussion of this issue, see *Comment 1* in the ''Interested Party Comments'' section of this notice, below.

Level of Trade

In the preliminary determination, we conducted a level of trade analysis for Daido, Hitachi, and Nippon. We determined that a level of trade adjustment was not warranted for any of the respondents. *See* Memorandum to the File from the Team regarding the Department's Level of Trade Analysis, dated February 25, 1998. None of the respondents commented on the Department's level of trade determination. In the process of raising arguments on another issue, the petitioners claimed that it may be necessary to reevaluate the level of trade analysis. We have determined that this is not necessary. *See* Comment 5 in the ''Interested Party Comments'' section of this notice, below. Accordingly, for purposes of the final determination, we have continued to hold that a level of trade adjustment is not warranted for any of the respondents.

Export Price/Constructed Export Price

For Daido and Nippon, we used EP methodology, in accordance with section 772(a) of the Act, because the subject merchandise was sold directly to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise indicated.

For Hitachi, because sales to the first unaffiliated purchaser took place after importation into the United States, we used CEP methodology, in accordance with section 772(b) of the Act.

We calculated EP and CEP based on the same methodology used in the preliminary determination.

Normal Value

We used the same methodology to calculate NV as that described in the preliminary determination, with the following exception:

Nippon

We included bank charges incurred on U.S. sales to cash letters of credit in the circumstance of sale adjustment along with credit and warranty expenses.

Cost of Production

We calculated the cost of production (COP) based on the sum of each respondent's cost of materials and fabrication for the foreign like product, plus amounts for home market selling, general and administrative (SG&A) expenses and packing costs, in accordance with section 773(b)(3) of the Act. We relied on the submitted COPs except in the following specific instances where the submitted costs were not appropriately quantified or valued:

A. Daido

For the final determination, we have included an allocated portion of bonus payments that Daido distributed from its retained earnings to its board of directors and auditors, and excluded a portion of the directors salaries which were allocated to Daido's subsidiaries in the G&A expense variable used in the calculation of COP and CV. *See* Comments 8 and 9 in the ''Interested Party Comments'' section of this notice, below. In addition, we (1) recalculated Daido's fixed overhead costs, used in the calculation of COP and CV, to account for plant common variances; and (2) revised Daido's reported cost of manufacture to include certain costs that had been erroneously excluded from this variable. *See* Memorandum from Taija Slaughter to Chris Marsh, dated July 20, 1998.

B. Hitachi

For the final determination, we have adjusted Hitachi's further manufacturing cost database to reflect one weighted-average cost for each product. *See* Comment 16 in the ''Interested Party Comments'' section of this notice, below.

C. Nippon

Pursuant to our findings at verification, we have revised Nippon's G&A expenses to include certain non-operating income and expenses. *See* Memorandum from Peter Scholl to Chris Marsh, dated July 20, 1998. In addition, we have revised the costs of several products to include certain costs associated with the production of UF SSWR which, for the preliminary determination, had been allocated across all products. *See* Comment 17 in the ''Interested Party Comments'' section of this notice, below.

We also conducted our sales below cost test in the same manner as that described in our preliminary determination. As with the preliminary determination, we found that, for certain models of SSWR, more than 20 percent of the respondent's home market sales were at prices less than the COP within an extended period of time. *See* Section 773(b)(1)(A) of the Act. Further, the prices did not provide for the recovery of costs within a reasonable period of time. We therefore disregarded the below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

Constructed Value

In accordance with section 773(e) of the Act, we calculated CV based on the sum of each respondent's cost of materials, fabrication, SG&A expenses, profit, and U.S. packing costs. We relied on the submitted CVs, except in the following specific instances noted in the ''Cost of Production'' section above.

Currency Conversion

As in the preliminary determination, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank in accordance with section 773A of the Act.

Interested Party Comments

General Issues

Comment 1: Use of AISI Grade Designations for Product Matching.

According to the petitioners, Daido and Nippon should not be allowed to rely on internal grade designations for product matching purposes. The petitioners claim that Daido and Nippon designated special internal product codes for certain high-priced home market sales of products that would, except for the addition of small amounts of chemicals not typically found in standard AISI designations, otherwise fit within a standard AISI grade designation. In Nippon's case, the petitioners assert that two specific Nippon internal grades should have been classified within certain AISI grades. The petitioners argue that the Department should assign each of Daido and Nippon's internal grades a standard AISI grade for matching purposes.

Daido states that it only reported internal product codes where the chemical compositions of those internal products were inconsistent with standard AISI grade specifications. Nippon asserts that it reported the AISI grade, rather than its internal grade, whenever the chemical composition of the product at issue met the AISI requirements. Daido and Nippon argue that the Department should continue to rely on internal grade designations, as verified by the Department, for matching purposes.

DOC Position

We agree with Daido and Nippon. We examined their grade classifications at verification and established that the companies appropriately classified each of their internal SSWR grades into the corresponding AISI category, where appropriate. *See* the Department's May 13, 1998, Sales Verification Report for Daido at page 7 and the Department's April 28, 1998, Sales Verification Report for Nippon at page 4. We also confirmed that, per the Department's instructions, Daido and Nippon reported their internal SSWR grade, in lieu of a standard AISI classification, only when the composition of the internal SSWR grade was inconsistent with AISI specifications. Regarding the petitioners' claim that two specific Nippon internal grades should have been reported within standard AISI grades, a review of the information on the record indicates that Nippon properly classified those products within the appropriate grade designations. Accordingly, we have continued to accept Daido and Nippon's internal grade designations for purposes of the final determination.

Comment 2: Selling Expenses Incurred on behalf of End-Users.

According to the petitioners, selling expenses incurred by Daido or Nippon ''on behalf of'' end-users for sales made through unaffiliated trading companies (*i.e.*, downstream expenses) should be treated as indirect selling expenses. The petitioners assert that the selling expenses claimed by Daido and Nippon to be direct selling expenses did not directly relate to the transactions with the unaffiliated trading companies. In support of this argument, the petitioners cite *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Romania, Singapore, Sweden and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews*, 62 FR 54052, 54054 (October 17, 1997) (*Antifriction Bearings*).

Daido and Nippon argue that such expenses are directly related to their sales to unaffiliated trading companies and, thus, should be treated as direct selling expenses. Daido and Nippon assert that the Department's verifications confirmed that expenses such as freight and warehousing, as well as any adjustments to the sales price, are directly related to the particular sales transaction involved. Daido and Nippon cite several cases purporting to establish that Department practice considers such expenses to be direct selling expenses if they are directly related to a particular sale.

DOCPosition

We agree with Daido and Nippon. The information on the record and the documents examined at verification confirmed that the downstream selling expenses and adjustments at issue are directly related to the transactions with the unaffiliated trading companies. *See* Daido's October 27, 1997, section A response at page A–13, and the Department's May 13, 1998, Sales Verification Report for Daido at pages 6–7; Nippon's October 24, 1997, section A response at pages A–15 and A–29 and in Exhibit 20, and the Department's April 28, 1998, Sales Verification Report for Nippon at pages 5–6. Therefore, in accordance with the Department's practice, these expenses are appropriately categorized as direct selling expenses. *See, e.g., Final Determination 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, 37172–73 (July 9, 1993)(*Carbon Steel Flat Products from Japan*); *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from France, Germany, Italy, Japan, Romania, Singapore, Sweden, Thailand and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Revocation in Part of an Antidumping Duty Order,* 58 FR 39729, 39750 (July 26, 1993). Moreover, we note that the case cited by the petitioners, *Antifriction Bearings,* supports this determination. Specifically, in that case, the Department stated that downstream expenses would be treated as direct expenses when a respondent could directly tie those expenses to a particular sale. In this case, Daido and Nippon have documented that the expenses at issue are directly tied to a specific sale. *See* the Department's May 13, 1998, Sales Verification Report for Daido at pages 6–7 and the Department's April 28, 1998, Sales Verification Report for Nippon at pages 5–6. Accordingly, we have continued to treat these downstream expenses as direct expenses for purposes of the final determination.

Company-Specific Issues

Daido Steel Co., Ltd.

Comment 3: Collapsing of Daido's Reported Further Processing Codes.

According to the petitioners, Daido reported more further processing codes for purposes of product matching than it kept in the ordinary course of business for cost purposes. The petitioners argue that several of Daido's further processing codes fit within the same standard cost code. As a result, the petitioners assert that the Department should collapse Daido's further processing codes based on the further processing groupings maintained by Daido for cost purposes in the normal course of trade.

Daido argues that the different further processing codes it reported reflect different physical characteristics and that it provided details on those differences, as requested by the Department's questionnaire. Daido notes that the petitioners do not take issue with the fact that Daido's different further processing codes reflect different physical characteristics, only that several different further processing codes are included in the same standard cost code. Daido argues that the detail with which it reported its different further processing codes allows the Department to appropriately match U.S. products with home market products that have undergone the exact same further processing. Accordingly, Daido urges the Department to continue to distinguish between the different further processing codes reported by Daido in conducting product matching for purposes of the final determination.

DOC Position

We agree with Daido. The Department's questionnaire instructed Daido to report any and all further processing. While the Department designated specific processes (*i.e.,* ''hot-rolled,'' ''hot-rolled and annealed,'' and ''hot-rolled, annealed, and pickled''), it also requested that Daido report all other further processing methods. In response, Daido reported various further processing methods which it claims impart distinct physical characteristics on the wire rod. *See* Daido's November 17, 1997, sections B and C response at Exhibit B–3. The petitioners do not argue that the different further processing methods fail to impart distinct physical characteristics on the wire rod, only that they are included in the same standard cost code and, therefore, should be grouped in the same further processing code. However, this methodology is inconsistent with the Department's practice, which is to rely on physical characteristics, rather than cost groupings, for model matching purposes. *See, e.g., Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom; Final Results of Antidumping Duty Administrative Review,* 63 FR 18879, 18881 (April 16, 1998) (*Carbon Steel 1*). Accordingly, we used the further processing codes reported by Daido for purposes of the final determination.

Comment 4: Product Code Designation of Daido's Proprietary Wire Rod.

According to the petitioners, the cost information submitted by Daido on its proprietary wire rod was untimely and should be rejected. The petitioners argue that, in breaking out the cost for its proprietary wire rod, Daido significantly reduced its reported costs of production for all other products. The petitioners assert that these changes affected all of Daido's cost data and were submitted after the preliminary determination, thus denying the petitioners the ability to comment on that new cost information in a meaningful way. The petitioners urge the Department to reject the data as untimely and rely on facts available.

If the Department accepts Daido's data as timely, the petitioners argue that the information should be rejected as an effort by Daido to create an unauthorized matching criterion. The petitioners state that Daido submitted this proprietary wire rod information to the Department using a product code that included a new further processing designation. The petitioners assert that the process used to make the proprietary wire rod involved unique steps taken to manufacture the billet, the raw material used to make wire rod, not any further processing of wire rod. The petitioners argue that processes used to manufacture the billet were not included as part of the matching criteria in this investigation and cannot appropriately be characterized as further processing. Thus, the petitioners contend that this proprietary wire rod should not be given a unique product code for matching purposes, because processes used to manufacture the billet were not established as a matching criterion.

Daido argues that it first submitted information on the record highlighting its proprietary wire rod in January 1998, and that several subsequent Daido submissions referenced the unique characteristics of this product. According to Daido, those submissions provided the petitioners ample opportunity to respond to the new information. In addition, Daido asserts that there was no reallocation of costs from all of its other products to its proprietary wire rod product. Instead, Daido claims that, in breaking out costs for its proprietary wire rod, it only removed costs from the control number in which that product was previously included.

Daido further asserts that it did not attempt to create an unauthorized matching criterion. According to Daido, the Department's questionnaire expressly allows a respondent to add additional product characteristics to those requested by the Department, and that the Department has permitted this practice in other cases. *See, e.g., Final Results of Antidumping Administrative Review of Solid Urea From the Former German Democratic Republic*, 62 FR 61271, 61275–76 (November 17, 1997) (*Solid Urea*).

Daido also argues that its proprietary wire rod has different product characteristics than the other products initially included within the same control number. According to Daido, the substantial difference is evidenced by the significant disparity in cost between the proprietary wire rod and the other products within its former control number. Daido asserts that treating its proprietary wire rod in the same control number as the other products would distort the dumping analysis, and that such a result is inconsistent with the Department's practice. *See, e.g., Notice of Final Results and Partial Recission of Antidumping Duty Administrative Review: Roller Chain, Other Than Bicycle From Japan*, 62 FR 60472, 60474–75 (November 10, 1997) (*Roller Chain*) and *Solid Urea.*

Finally, Daido argues that the Department could not compare any of Daido's U.S. sales with its home market sales of the proprietary wire rod because of the large difference-in-merchandise (DIFMER) adjustments that would be required. According to Daido, the resulting DIFMER adjustment from any such comparison would exceed the twenty percent limit established by the Department's policy and precedent. Thus, Daido asserts that its proprietary wire rod should not be used in determining NV. Daido claims that the Department's precedent establishes that differences in merchandise can warrant the use of special product control numbers for model matching purposes. To support this position, Daido relies on *Carbon Steel 1* at 18881, and *Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom; Final Results of Antidumping Duty Administrative Review*, 60 FR 44009, 44011 (August 24, 1995) (*Carbon Steel 2*).

DOC Position

We agree with the petitioners. Daido's information on its proprietary wire rod represented an attempt by Daido to distinguish that product's characteristics from its other home market products for matching purposes. The Department's questionnaire of September 19, 1997, indeed allowed for supplemental product characteristics, in addition to those specified by the Department (*i.e.*, grade, diameter, further processing, and coating). However, the Department emphasized that ''if you add characteristics not specified in the questionnaire, describe in the narrative response why you believe that the Department should use this information to define identical and similar merchandise.'' *See* the Department's September 19, 1997, Questionnaire at page B–6. Daido, however, never made a case for the addition of a product characteristic not specified in the questionnaire. Rather, Daido uniquely classified its proprietary wire rod by adding a further processing code, a product characteristic established by the Department, to the list of further processing codes that it had previously submitted to the Department. However, the distinguishing feature of Daido's proprietary wire rod appears to be its expensive processing of the billet, the raw material used to make wire rod, rather than further processing of the finished wire rod. Further processing of wire rod can be defined as manufacturing processes conducted on the wire rod after it is produced. Thus, the addition of a unique ''further processing'' code by Daido to distinguish its proprietary wire rod from its other products, based on an expensive processing of the billet *before* it is hot-rolled into wire rod, was not appropriate. Moreover, Daido's reliance on *Solid Urea* to support its claim that the Department's practice is to allow for additional matching criteria submitted by respondents is inappropriate. In *Solid Urea,* the Department continued to accept the use of an additional model match criterion submitted to the Department by the respondent prior to the preliminary results of that review. *See Solid Urea* at 61275–76. However, since Daido has not submitted an additional matching criterion to the Department in this investigation, *Solid Urea* does not address the issue raised in this investigation.

The Department does not find that including Daido's proprietary wire rod within its former control number will distort the dumping analysis. Daido's proprietary wire rod and the other products within its former control number have the same product characteristics, as specified by the Department for matching purposes. Furthermore, Daido's reliance on *Roller Chain* is misplaced. In *Roller Chain,* for the preliminary determination, the Department deviated from its prior practice of using ten criteria to match products and, instead, used only three matching criteria. For the final determination, the Department decided that it should return to the practice from previous reviews of using ten matching criteria because of an overriding concern that employing fewer matching criteria might result in grouping physically diverse products as identical or similar merchandise. In this investigation, however, Daido has not proposed additional matching criteria for the Department's model match, nor has it argued that the Department has improperly limited the number of matching criteria. Instead, Daido has attempted to indirectly create a new matching criterion by adding a new ''further processing'' code to a specific product that has no unique further processing, as established by the Department's description of its product matching characteristics.

Moreover, Daido's argument that any comparison between its U.S. sales and its proprietary wire rod would exceed the Department's DIFMER adjustment limit relies on Daido's proprietary wire rod being classified as a separate product with a unique control number. However, the Department has determined, given the matching criteria in the questionnaire, that it would not be appropriate to designate Daido's proprietary wire rod with a unique control number, nor to separate its costs from the other products in its original control number.

Finally, we do not agree with the petitioners that Daido's information on its proprietary wire rod was untimely. Daido first provided information on its proprietary wire rod in its January 14, 1998, supplemental questionnaire response, two months prior to the commencement of verification and, as such, was not untimely. *See* section 351.301(b)(1) of the Department's regulations.

For discussion of a similar issue, see *Comment 17,* below.

Comment 5: Daido's Adjustment Claims for Warehousing and Freight Expenses.

The petitioners assert that, although the Department verified Daido's reported channels of distribution and related selling functions information, which included information on whether warehousing services were provided by

Daido in each of its channels of distribution, the warehousing expenses reported by Daido were inconsistent with Daido's description of the services provided for sales in each of its home market channels of distribution, as verified by the Department. Specifically, the petitioners claim that Daido's modified explanation that shipment route, as opposed to channel of distribution, determined whether warehousing expenses were, in fact, incurred raises serious questions about the reliability of Daido's reported warehousing expense information. The petitioners assert that we should disregard Daido's modified explanations, or, in the alternative, if such information is accepted, we should revisit our level of trade analysis that depended on Daido's channels of distribution information. The petitioners argue that, if the Department disregards Daido's modified explanation of its warehousing expenses, it should not accept any reported inland freight or warehousing expenses for the five distribution channels in which Daido indicated that sales were not distributed through warehouses.

In addition, the petitioners allege that Daido failed to report warehouse shipment dates in cases where warehousing expenses were reported. According to the petitioners, in many cases this situation occurred for channels of distribution in which Daido reported its sales as not being shipped through warehouses. The petitioners argue that the Department should not accept any warehousing expenses in such cases, because the failure to report a shipment date from the warehouse indicates that no warehousing expense was incurred by Daido.

The petitioners also assert that, according to the verification findings, the Department should disallow any reported warehousing expenses whenever Daido reported the same dates for shipment to the warehouse and shipment from the warehouse to the end-user. According to the petitioners, since Daido overstated its expenses in such cases (*see* the Department's May 13, 1998, Sales Verification Report for Daido at pages 3–4), the Department should disallow these expenses in its final margin analysis.

Finally, the petitioners assert that Daido reported inland freight expenses both for shipment to a warehouse (INLFTWH) and for shipment from a warehouse to the customer (INLFTCH) in cases where the merchandise was apparently not warehoused. The petitioners argue that Daido's explanation that field INLFTWH represented either the cost of shipment to the warehouse or to the customer directly was not consistent with its reported expense information, and resulted in the double reporting of freight expenses. As a result, the petitioners assert that the Department should disallow any expense in field INLFTWH for sales where Daido reported no warehousing expenses.

Daido responds that the Department's Sales Verification Report explained the relationship between its channels of distribution and shipment route information, and its reported warehousing expenses. *See* the Department's May 13, 1998, Sales Verification Report for Daido at page 2. Daido asserts that the warehousing expense information reflected in its discussion of channels of distribution was the standard situation for transactions within each of the channels of distribution. However, Daido argues that exceptions existed because of the circumstances of individual sales transactions. As a result, Daido explains that the reported shipment route ultimately determined whether warehousing expenses were incurred on a sale-specific basis, regardless of the standard established for the applicable channel of distribution.

Regarding the petitioners' concern about Daido's lack of reported warehouse shipment dates in cases where Daido reported a warehousing expense, Daido answers that its submissions established that it was unable to provide a warehouse shipment date for sales by Daido to unaffiliated trading companies, despite the fact that such shipments were made through a warehouse. Thus, Daido argues that the lack of a warehouse shipment date in such instances does not determine that no warehousing expenses were incurred.

Responding to the petitioners' concerns about Daido's reported warehousing expenses when the two shipment dates (*i.e.*, the date of shipment to the warehouse and the date of shipment from the warehouse to the customer) were the same, Daido argues that it has adopted a conservative approach, even more conservative than the petitioners' recommendation, by reporting no warehousing expense when the difference between the two shipment dates was less than or equal to two days.

Finally, Daido asserts that the petitioners' concern about the alleged double reporting of inland freight expenses was, in fact, the result of Daido's sales to unaffiliated trading companies. In such cases, Daido explains that it did not have information on the shipment dates from the warehouse, which led the petitioners to believe that no warehousing occurred. However, Daido claims that expenses were reported in both freight data fields (*i.e.*, INLFTWH and INLFTCH) only when the merchandise was shipped through a warehouse.

DOC Position

We disagree with the petitioners. At verification, the Department confirmed that Daido's reported shipment route determined whether Daido, in fact, incurred warehousing expenses on a transactions-specific basis. To that end, we examined relevant freight and warehousing documents at verification. *See* the Department's May 13, 1998, Sales Verification Report for Daido at page 3. Relying on such documents, we confirmed that Daido incurred warehousing expenses (even when the explanation for the reported channel of distribution did not indicate warehousing) for sales where the reported shipment route reflected shipment through a warehouse. In addition, at verification, we found no cases where Daido reported warehousing expenses when the corresponding shipment route indicated that shipment was not made through a warehouse. Accordingly, the Department accepted Daido's reported warehousing and inland freight (to the warehouse) expenses for transactions where the reported shipment route indicated warehousing of the merchandise, even when the reported standard distribution channel did not indicate warehousing services.

Contrary to the petitioners' contention, the documents examined by the Department at verification did not raise questions about the reliability of Daido's reported warehousing expense information. Rather, they consistently showed that the reported shipment route was the sale-specific key to whether warehousing, in fact, occurred. The channels of distribution information submitted by Daido explained the standard warehousing and freight services provided for each channel of distribution, despite the fact that the shipment route determined whether warehousing, in fact, occurred for specific sales transactions. *See* the Department's May 13, 1998, Sales Verification Report for Daido at page 16. The Department's verifiers found that, as a general rule, the explanations of freight and warehousing services provided for each channel of distribution were accurate and reliable. Therefore, the Department did not disregard the channels of distribution information reported by Daido, nor did it disregard Daido's modified explanation that the reported shipment route is determinative as to whether warehousing occurred. Thus, since Daido's channels of distribution information was verified by the Department, the Department has not reevaluated its level of trade analysis for purposes of the final determination.

In addition, the Department did not reject Daido's reported warehousing expenses in cases where no shipment date from the warehouse was reported. Daido explained, and the Department found, that Daido did not have the information on the shipment date from the warehouse in every case in which a shipment was, in fact, made through a warehouse, particularly in cases where sales were made to unaffiliated trading companies. *See* Daido's November 17, 1997, Sections B and C response, at page B–19. Thus, the Department accepted Daido's reported warehousing expenses for sales to unaffiliated trading companies when the warehouse shipment date was blank, provided that the shipment route reported for the specific transaction indicated shipment through a warehouse as explained above.

Furthermore, our examination of Daido's revised sales information submitted on May 29, 1998, revealed that Daido reported no warehousing expenses (neither storage nor handling) when the difference between the shipment date to the warehouse and the shipment date from the warehouse to the customer was less than or equal to two days. This is a conservative methodology because Daido explained that in such cases it still incurred some handling charges even where no storage expenses were paid as a result of the short turnaround at the warehouse. Thus, the Department accepted Daido's reported warehousing expense information in such cases.

Moreover, the Department did not disregard Daido's reported inland freight expenses, both to the warehouse and from the warehouse to the customer, in cases where the merchandise was actually warehoused, as indicated by Daido's reported shipment route information. The petitioners' concern that Daido had double reported its freight expenses hinged on its belief that no warehousing occurred in cases where Daido reported no date in the data field SHIPDT2H (shipment from the warehouse). However, as explained above, Daido did not have the information on shipment date from the warehouse (SHIPDT2H) in every case where merchandise was actually shipped through a warehouse. Thus, provided the reported shipment route indicated shipment through a warehouse, the Department did not disregard the reported freight expenses for shipment to a warehouse and from that warehouse to the customer.

Finally, the Department confirmed at verification that data field INLFTWH (shipment to a warehouse or end-user) represented the expense to deliver merchandise to the customer in cases where no warehousing occurred. *See* the Department's May 13, 1998, Sales Verification Report for Daido at page 13. Therefore, the Department did not disallow expenses in field INLFTWH because no warehousing expense was reported by Daido.

In conclusion, although the freight and warehousing information reported by Daido was intricate and required further clarification at verification, our findings at verification indicate that Daido's information was reliable. *See* the Department's May 13, 1998, Sales Verification Report for Daido at pages 13–17. As a result, the Department did not disregard the freight and warehousing information reported by Daido in its May 29, 1998, submission. The Department used that information, as verified by the Department and as explained above, for purposes of the final determination.

Comment 6: Corrections Arising from Verification.

According to the petitioners, the Department should correct Daido's reported COP/CV data based on the corrections made by Daido at the outset of verification.

DOC Position

We agree. We have made the appropriate corrections for purposes of the final determination.

Comment 7: Major Inputs.

The petitioners argue that the Department should adjust the prices paid by Daido for certain materials to affiliated trading companies to reflect the market price. The petitioners assert that, consistent with the Department's practice, purchase prices for identical inputs paid by a producer to affiliated suppliers are compared first to prices paid to unaffiliated suppliers. If the price paid to an affiliated supplier is not an arm's-length transaction, the Department will adjust the price based on the arm's-length prices paid to the unaffiliated supplier.

Daido argues that the Department generally prefers the use of the transfer price for inputs purchased from affiliated parties for the calculation of COP and CV, provided that the transaction occurred at an arm's-length price. According to Daido, input prices paid to its affiliated trading company were generally comparable to prices paid to its unaffiliated trading companies and, thus, should be acceptable for the calculation of COP and CV.

DOC Position

To the extent practicable, the Department generally will use the transfer price of inputs purchased from affiliated suppliers in calculating COP and CV, provided that the transactions at issue occurred at arm's-length prices. *See, e.g., Gray Portland Cement and Clinker from Mexico: Final Results of Antidumping Duty Administrative Review*, 62 FR 17148, 17161 (April 9, 1997). At verification, we examined the input prices Daido's affiliated trading company paid its unaffiliated suppliers for certain inputs sold to Daido. We noted that, on average, the transfer price between Daido and its affiliated trading company exceeded the price paid by the affiliated trading company to non-affiliated suppliers. *See* Daido's March 26, 1998, supplemental section D questionnaire response at Exhibit SD–11. In addition, we noted at verification that the transfer price paid by Daido to its affiliated trading company exceeded the affiliated trading company's fully loaded cost of production (*i.e.*, cost of manufacturing plus general expenses). *See* the Department's May 20, 1998, Cost Verification Report for Daido at Exhibits 13 and 14. Therefore, in the final margin analysis we relied on the transfer prices paid by Daido to its affiliated trading company for the inputs at issue.

Comment 8: G&A Expense Rate.

The petitioners assert that, as in the preliminary determination, the Department should continue to use Daido's unconsolidated cost of sales to calculate the G&A expense rate. According to the petitioners, Daido's reliance on consolidated cost of sales is inappropriate because its consolidated financial statements include information for Daido's affiliated companies that are not involved in the production and sale of the subject merchandise.

Daido contends that the functions performed at the head office benefit all of its subsidiaries; thus, it is appropriate to use consolidated cost of sales as the denominator for calculating the G&A expense rate.

DOC Position

We disagree with Daido. It's the Department's normal practice to calculate the G&A expense rate based on the respondent company's unconsolidated operations plus a portion of G&A expenses incurred by affiliated companies on behalf of the respondent. *See Carbon Steel Flat Products from Japan,* 58 FR 37154 (July 9, 1993). At verification, the only specific example Daido could provide in support of its contention that it incurred G&A costs on behalf of its subsidiaries related to salaries paid to its directors. Thus, for the final determination, we allocated a portion of the directors salaries to Daido's consolidated subsidiaries. However, in computing Daido's G&A expense rate, we have continued to use Daido's unconsolidated cost of sales as the denominator.

Comment 9: Bonus adjustment.

The petitioners argue that the Department should include bonuses paid by Daido to its board of directors and auditors in its G&A expenses. Referencing *Notice of Final Determination of Sales at Less than Fair Value: Static Random Access Memory Semiconductors from Taiwan,* 63 FR 8909, 8922 (February 23, 1998) (SRAMs from Taiwan), the petitioners assert that bonuses paid by Daido to its board of directors and auditors represents compensation to these individuals for the services they rendered to the company and, accordingly, the expenses should be included in the calculation of Daido's G&A expense rate.

Daido contends that its G&A expense rate calculation is consistent with its audited income statement, which records bonuses paid to directors and auditors on its statement of retained earnings. Because this adjustment is consistent with Daido's books and records in the normal course of business, the Department should not recalculate the G&A expense rate. Further, Daido argues that if the Department does intend to include bonuses in the G&A expense rate calculation, it should allocate the amount over Daido's consolidated cost of sales as the amounts benefit all of its consolidated companies.

DOC Position

In accordance with section 773(f)(1)(A) of the Act, we rely on the respondent's normal books and records, provided that they comply with the foreign country's Generally Accepted Accounting Principles (GAAP) and reasonably reflect the company's costs of producing the subject merchandise. In this instance, we agree with the petitioners that the bonuses paid to Daido's board of directors and auditors, which Daido distributed through its retained earnings, represent compensation for services provided to the company. Therefore, we believe that it is appropriate to include these amounts in the calculation of COP and CV because they reasonably reflect the company's cost of producing the subject merchandise, pursuant to section 773(f)(1)(A) of the Act. Moreover, including this type of bonus payment in COP and CV is consistent with our treatment of this type of retained earnings bonus distribution. *See, SRAMs from Taiwan* at 8921. In that proceeding, we determined that the amounts distributed by the respondents represented compensation for services which the individuals had provided the companies. Accordingly, for the final determination, we have included an allocated portion of the bonus payments that Daido distributed from its retained earnings to its board of directors and auditors in the calculation of COP and CV.

Comment 10: Exchange Gains.

The petitioners argue that, consistent with the preliminary determination, the Department should continue to disallow Daido's net exchange gains offset to G&A expenses. According to the petitioners, the Department's practice is not to include exchange gains or losses in the calculation of COP if such gains and losses were related to accounts receivables (*Notice of Final Determination of Sales at Less than Fair Value: Certain Pasta from Italy,* 61 FR 30,326, 30363 (June 14, 1996)). The petitioners claim that, because Daido did not provide a schedule which indicates the types of transactions generating the company's exchange gains and losses, the Department is not able to make a determination of the source which generated the exchange gain or loss. Therefore, the net exchange gains should be disallowed as an offset to Daido's G&A expenses.

Daido did not comment on this issue.

DOC Position

We agree with the petitioners. Daido provided a schedule indicating that the foreign exchange gains relate to its accounts receivables. Because our normal practice is to exclude exchange gains and losses related to accounts receivable, we disallowed these gains as an offset to G&A expenses.

Hitachi Metals, Ltd.

Comment 11: Viability of Home Market.

The petitioners argue that the Department erred in finding that Hitachi's home market was not viable. The petitioners state that the Statement of Administrative Action (SAA) makes it clear that the five percent benchmark for viability may not be appropriate in all instances. *See* SAA at 821. Accordingly, the petitioners argue that the Department should have obtained Hitachi's home market sales information and, based on that information, determined whether the home market was, in fact, viable.

Hitachi argues that the Department properly concluded that its home market was not viable because the quantity of SSWR sold in Japan constituted less than five percent of the quantity sold to the United States. Hitachi argues that the Department fully verified its quantity and value information as accurate and its determination of non-viability is supported by the statute and the regulations. Hitachi notes that the petitioners have not presented any reason why the Department should ignore the verified information contained in the record in this investigation and disregard its normal practice regarding viability.

DOC Position

We agree with Hitachi. The Department will consider a home market ''viable'' if the aggregate quantity of sales of the foreign like product is five percent or more of the aggregate quantity of sales of subject merchandise to unaffiliated buyers in the United States. *See* section 773(a)(1)(B) of the Act and section 351.404(b)(2) of the Department's regulations. In this case, the Department has verified that the quantity of SSWR Hitachi sold in Japan constituted less than five percent of the quantity of SSWR sold to the United States. *See Verification of the Questionnaire Responses of Hitachi Metals, Ltd.,* Memorandum to File from Barbara Wojcik-Betancourt and Sunkyu Kim through James Maeder dated May 6, 1998, at pages 6–8; and *Verification of the Questionnaire Responses of Hitachi Metals America, Ltd.,* Memorandum to File from Barbara Wojcik-Betancourt through James Maeder dated march 30, 1998, at pages 4–6.

Furthermore, the petitioners' argument that the SAA ''makes clear that the five percent benchmark for viability may not be appropriate in all instances'' does not apply to the facts of this case. We note that the SAA states that ''[t]he volume of sales in the home market *normally will be deemed insufficient, i.e.,* the home market will not be considered usable if the quantity of sales by the exporter in the home market is less than five percent. . . .'' SAA at 821 (Emphasis added). The exception to this rule, on which the petitioners mistakenly rely, pertains to ''some unusual situation'' that would render the above application inappropriate. *Id.* In this case, the Department verified that the quantity of

Hitachi's sales of the foreign like product in the home market was below the five percent threshold. *See* the Department's May 6, 1998, Sales Verification Report for Hitachi at pages 6–8. Moreover, the petitioners did not point to any evidence contained in the administrative record which would demonstrate some unusual circumstances that would render the application of the usual five percent test in any way inappropriate. Accordingly, for the final determination, we continue to find that Hitachi's home market is not viable and, therefore, we based the NV on the CV of the subject merchandise.

Comment 12: Errors Concerning Recalculated Further Manufacturing Cost.

Hitachi alleges that the Department made a ministerial error with respect to the recalculated further processing cost. Specifically, Hitachi alleges that the Department included U.S. repacking expenses and the cost of U.S. inland freight in the further manufacturing field subsequently deducted from the U.S. price. Hitachi argues that, because U.S. repacking expenses and U.S. inland freight expenses are deducted elsewhere in the Department's margin calculation, the Department's inclusion of these expenses in the further manufacturing variable results in these expenses being deducted twice from the gross unit price.

DOC Position

We agree with Hitachi and have corrected this error.

Comment 13: Calculation of CEP Selling Expenses.

The petitioners argue that, for purposes of the preliminary determination, the Department failed to include repacking expenses as part of the selling expenses for Hitachi's CEP sales. The petitioners contend that repacking incurred by Hitachi for its U.S. sales is an expense associated with the further manufacture of the merchandise and, as such, is among the expenses deducted from the starting price under section 772(d)(2) and for purposes of the allocation of profit under 772(d)(3). Accordingly, the petitioners argue that, for purposes of the final determination, the Department should include repacking expense in the calculation of CEP selling expenses.

Hitachi asserts that, contrary to the petitioners' claim, repackaging expenses were included in the calculation of Hitachi/HMA's CEP selling expenses as part of the further manufacturing variable and, therefore, no adjustment is necessary.

DOC Position

We agree with the petitioners that repacking expenses should be included in the calculation of CEP selling expenses. Hitachi does not take exception with this argument, arguing instead that repacking expenses are already included in CEP selling expenses as part of the further manufacturing variable that is used in the calculation of CEP selling expenses. However, Hitachi argues in *Comment 12,* and the Department agrees, that repacking expenses should be deducted from the calculation of the further manufacturing variable in order to avoid deducting repacking expenses twice from the U.S. price. Once repacking expense is deducted from the further manufacturing variable, the petitioners' argument that it is not included in the calculation of CEP selling expenses is a valid one. Accordingly, for the final determination, the Department has deducted repacking expense from the calculation of the further manufacturing expenses (as explained in *Comment 12*) and added repacking expense to the calculation of CEP selling expenses.

Comment 14: Scope of the Investigation.

Hitachi requests that the Department exclude grades 440 C SSWR and proprietary grade X from this investigation. Hitachi asserts that grade 440 C SSWR should be excluded from this investigation because Hitachi has not sold it in the United States during the POI or at any other time. Moreover, according to Hitachi, the factors set forth in 19 CFR 351.225(k) clearly establish that grade 440 C SSWR should not be included within the scope of this investigation. Hitachi notes that, pursuant to section 351.225(k)(2), in determining whether merchandise falls within the scope of an order, the Department will consider: (1) the physical characteristics of the product; (2) the expectations of the ultimate purchasers; (3) the ultimate use of the product; (4) the channels of trade in which the product is sold; and (5) the manner in which the product is advertised and displayed. Hitachi argues that the different production process for grade 440 C SSWR, as compared to standard SSWR, results in a very different product with distinct physical and technical characteristics. Because of these distinct physical and technical characteristics, Hitachi argues that the ultimate expectations of the end-user are different than the expectations for standard SSWR. In addition, Hitachi argues that, because grade 440 C SSWR is captively consumed *(i.e.,* 100 percent consumed by Hitachi's U.S. affiliate), it is distributed only to affiliated companies or consumed by the producer and, thus, is not advertised or displayed. Based on the foregoing, Hitachi contends that the Department should determine that grade 440 C SSWR is outside the scope of the investigation.

Hitachi next asserts that the other grade subject to its exclusion request, proprietary grade X, should be excluded from the scope of the investigation because it allegedly is not, and cannot be, manufactured in the United States. In addition, Hitachi declares that it does not intend to license production of this product to any U.S. company. Hitachi further contends that, because there is no domestic industry that produces grade X, the petition could not have been filed on behalf of the domestic grade X industry within the provisions of the antidumping law.

DOC Position

We disagree with Hitachi. Hitachi's reliance on the factors set forth in 19 CFR 351.222(k)(2) is misplaced. As the regulation indicates, those criteria are used to clarify the scope of an existing order where there is some ambiguity in the scope language, not to determine the scope of an investigation. The scope of an investigation is determined, in general, by the petition. The scope of this investigation, as established in the petition, includes SSWR that is:

> . . . made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, and are normally sold in coiled form, and are of solid cross-section.

See Petition at page I–11. The information submitted on grades 440 C SSWR and grade X establish that these products are hot-rolled SSWR with less than 1.2 percent carbon and more than 10.5 percent chromium, and that these products otherwise meet the manufacturing specifications outlined in the above-referenced scope language. Furthermore, it is evident from the scope language that the only exclusions of SSWR products intended by the petitioners pertained to SSWR grades SF20T and K–M35FL. Hitachi has submitted no information to show that grade X does not meet the specifications contained in the scope language and, in fact, Hitachi concedes that grade 440 C SSWR meets the specifications outlined in the petition. *See* Hitachi's September 15, 1997, submission at page 1. The fact that a specific grade of SSWR is not currently produced in the United States does not constitute grounds for exclusion from the scope of the investigation. Therefore, there is no basis to exclude grades 400 C and X from the scope of this investigation.

Comment 15: CEP Profit Rate for Hitachi.

The petitioners argue that the Department's use of Hitachi Metals America, Ltd.''s (HMA) financial statements and Yasugi Works' internal financial statements to calculate Hitachi's CEP profit for purposes of the preliminary determination resulted in a profit margin that was not representative of the profit earned on sales of the subject merchandise. The petitioners claim that, in accordance with section 772(f) of the Act, CEP profit for the U.S. sales should be based on the ''total actual profit'' which is defined as ''profit earned by the foreign producers . . . with respect to the sales of the same merchandise for which total expenses are determined.'' Further, referencing the SAA at 824, the petitioners maintain that the profit calculation must be based on the ''subject merchandise sold in the United States and the foreign like product sold in the exporting country.'' In order for the Department to comply with these requirements, the petitioners contend that the Department should calculate CEP profit based on the sum of Nippon's and Daido's weighted average profit and the profit earned by Hitachi on its sales of subject merchandise.

Hitachi claims that the Department correctly calculated CEP profit and should rely on the methodology used in the preliminary determination. Hitachi states that sections 772(f)(2)(C) and (f)(2)(D) of the Act, which outlines the methods for calculating CEP profit, provides no guidance or support for the use of other producers' profits when calculating CEP profit. Further, Hitachi contends that the financial statements the Department used to calculate CEP profit contain expenses incurred by the foreign manufacturer and exporter and the affiliated U.S. company to the narrowest category of merchandise sold in all countries, which includes the subject merchandise.

DOC Position

We disagree with the petitioners that the Department should deviate from the methodology used in the preliminary determination and, instead, use Nippon and Daido's profit rates, as well as the CV data, to calculate CEP profit. Section 772 (f)(2)(C) of the Act prescribes three alternative methods for determining total expenses for purposes of calculating CEP profit. The use of any of the methods depends on the data available to the Department. *See* Policy Bulletin No. 97 (Sep. 4, 1997). The first alternative, section 772(f)(2)(C)(i), is not applicable because Hitachi does not have a viable home market and the statute does not require the company to submit cost data for the home market solely for purposes of calculating CEP profit. The Department is precluded from using the second alternative, section 772(f)(2)(C)(ii), to calculate CEP profit because Hitachi does not prepare financial reports that would include only merchandise sold in the United States and the exporting country. By relying on both the Yasugi Works income statement and the HMA income statement, the Department was able to compute CEP profit in accordance with the third alternative under section 772(f)(2)(C)(iii), which relies on sales prices and expenses incurred with respect to the narrowest category of merchandise sold in all countries which includes subject merchandise. *See, e.g., Notice of Final Results of Antidumping Administrative Review: Furfuryl Alcohol From the Republic of South Africa,* 62 FR 61084, 61090 (Nov. 14, 1997); *Preliminary Results of Administrative Review: Roller Chain, Other than Bicycles from Japan,* 62 FR 25165, 25170 (May 8, 1997). Accordingly, for the final determination, we have continued to rely on Yasugi Works' and HMA's income statements when calculating CEP profit.

Comment 16: Weight Averaging of Further Manufacturing Costs.

The petitioners argue that, with regard to Hitachi's further manufacturing costs, a single weighted average cost should be calculated for each product. The petitioners point out that Hitachi reported specific further manufacturing costs for each sale made in the United States. According to the petitioners, consistent with the Department's established practice, COP and CV should be reported as a single weighted average cost for each product.

Hitachi contends that it appropriately reported its further manufacturing costs. However, it does not object to the Department's weight averaging of Hitachi's further manufacturing costs by product code.

DOC Position

We agree with the petitioners. Our practice is to calculate a single weighted-average cost using production quantity as the weighting factor for each product sold in the United States, as described in the Department's section E questionnaire. *See* the Department's Questionnaire at page E–2; *see* also, *Notice of Final Determination of Sales at Less Than Fair Value; Open-End Spun Rayon Singles Yarn From Australia,* 62 FR 43701, 43703 (Aug. 15, 1997). Accordingly, for the final determination, we have adjusted Hitachi's further manufacturing costs to calculate one weighted-average cost for each product.

Nippon Steel Corp.

Comment 17: Ultra Fine Rod.

In its questionnaire response, Nippon reported home market sales of a particular type of SSWR which it terms ultra fine (UF) SSWR. The Department used these sales in our analysis for purposes of the preliminary determination. Nippon argues that, for the final determination, the Department should exclude UF SSWR from the scope of this investigation, claiming now that it is a unique product produced by a manufacturing process distinct from that of other types of SSWR. According to Nippon, the manufacture of UF SSWR includes expensive processes (*i.e.*, electron beam remelting and secondary forging) not required for the production of other types of SSWR within this investigation. Nippon asserts that these additional processes occur after the billet is conditioned. In addition, Nippon points out that the manufacturing costs for UF SSWR are significantly higher than its other SSWR products. Therefore, Nippon contends that UF SSWR is not subject merchandise.

Nippon further asserts that the definition of subject merchandise in the petition and the Department's preliminary determination excludes UF SSWR. Nippon states that subject merchandise has been defined as SSWR that is ''. . . manufactured *only* by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling. . . .'' *See* Preliminary Determination, 63 FR 10854, 10856 (March 5, 1998) (emphasis added by Nippon). According to Nippon, UF SSWR is not manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, but is, in fact, manufactured by numerous processes beyond those listed in the Department's initiation notice (*see Initiation of Antidumping Investigations: Stainless Steel Wire Rod From Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan,* 62 FR 45224 (August 26, 1997)) and preliminary determination. Therefore, Nippon asserts that UF SSWR is not within the scope and, thus, should be excluded from this investigation.

Additionally, Nippon contends that the Department's regulatory criteria for determining whether a product constitutes the subject merchandise support excluding UF SSWR from this investigation. Nippon states that, although this regulatory provision applies to post-order scope inquiries, the criteria within the regulatory provision are instructive to the Department's analysis and show that UF SSWR is different from standard rod because its physical characteristics, purchasers' expectations, ultimate use, channels of trade, and manner of advertisement and display apply only to UF SSWR. Accordingly, Nippon urges the Department to find that UF SSWR is outside the scope of this investigation.

Alternatively, if the Department finds that UF SSWR is subject merchandise, Nippon argues that UF SSWR cannot be used in any product matches if the Department accepts the unique further processing codes for UF SSWR that were reported by Nippon. Nippon urges the Department to accept the unique further processing codes Nippon assigned UF SSWR in its databases because of the differences in the production process between UF SSWR and standard SSWR and because the Department's questionnaire asked Nippon to report ''any and all further processing'' without limiting ''further processing'' to post-production or finishing operations. Nippon argues that accepting its distinct further processing codes will, in turn, result in the Department assigning separate product control numbers to UF SSWR. According to Nippon, this will result in removing UF SSWR from all product matches because no products with the distinct UF SSWR product control numbers were sold in the U.S. market and the Department's matching operation should show that UF SSWR cannot be most similar to any imported SSWR product. To support its argument that UF SSWR is a unique product and, thus, should be assigned its own product control number, Nippon cites *Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From the United Kingdom: Final Results of Antidumping Duty Administrative Review,* 63 FR 18879, 18881 (April 16, 1998), where the Department allowed for the use of separate product control numbers, where there were differences in the chemical compositions of the products in question, if such differences were important to the respondent and its customers. In addition, Nippon asserts that the Department considers whether product differences are purposeful and commercially significant in determining whether an assigned product control number is warranted. *See Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From the United Kingdom: Final Results of Antidumping Administrative Review,* 60 FR 44009, 44011 (August 24, 1995).

Finally, Nippon argues that UF SSWR cannot be used for any match with standard SSWR because the resulting DIFMER adjustment would exceed that allowed by the Department. *See* 19 CFR 351.411. According to Nippon, any comparison between UF SSWR and standard SSWR sold in the United States would exceed the DIFMER adjustment limit because of the cost differences that result from the differences in the physical characteristics of UF and standard SSWR. Accordingly, Nippon urges the Department to exclude home market sales of UF SSWR from the final antidumping margin calculations.

The petitioners assert that UF SSWR is within the scope of this investigation because, as established by the petition and by the Department, it is a stainless steel product that is produced from a billet and is hot-rolled. In response to Nippon's contention that UF SSWR is outside the scope because it is subject to special processing in addition to being hot-rolled, the petitioners argue that the significance of the phrase ''hot-rolled only'' in the scope language is to distinguish SSWR from products that are subject to a cold-drawing or cold-finishing process after the billet is produced. The petitioners argue that they never intended to exclude products based on any particular production steps taken when producing the billet. Therefore, the petitioners assert that UF SSWR is within the scope because it is stainless steel that is made into a billet and is eventually hot-rolled into wire rod, regardless of the type or types of billet processing.

If the Department accepts Nippon's data on UF SSWR, the petitioners argue that the Department should reject Nippon's efforts to create a new matching criterion in this investigation. According to the petitioners, Nippon characterizes a process used in the production of the billet, the raw material used to manufacture wire rod, as ''further processing'' of hot-rolled wire rod. The petitioners contend that the processes used to refine the billet were not included as part of the matching criteria in this investigation and that billet processing is not a ''further processing'' step performed on wire rod. The petitioners assert that ''further processing,'' included as part of the matching criteria in this investigation, was intended to cover finishing steps (*i.e.,* annealing or pickling) conducted after the wire rod had been hot-rolled. Therefore, according to the petitioners, since billet processing is conducted before the wire rod is hot-rolled and is not a finishing step, the Department should deny Nippon's submission of unique further processing codes and separate costs to distinguish UF SSWR.

DOC Position

We disagree with Nippon that UF SSWR is not within the scope of the investigation. As discussed in response to *Comment 14,* when the Department considers whether a product is within the scope of an investigation, the analysis focuses on the language of the scope contained in the petition. The purpose of this analysis is to determine the petitioner's intent with respect to the scope coverage. *Minebea Co., Ltd.* v. *United States,* 782 F. Supp. 117, 120 (CIT 1992) (the Department uses its ''broad discretion to define and clarify the scope of an antidumping investigation in a manner which reflects the intent of the petition''). If the scope language in the petition is ambiguous, the Department examines additional evidence. *Torrington Co.* v. *United States,* 786 F. Supp. 1021, 1026 (CIT 1992). In this case, the petitioners proposed a definition of the scope of the investigation that included wire rod products that are defined within the industry as:

> hot-rolled or hot-rolled annealed and pickled or descaled rounds, squares, octagons, hexagons and shapes, in coils, for subsequent cold-drawing or cold-rolling. Since stainless steel wire rod is only manufactured by hot-rolling and is primarily sold in coiled form, Petitioners believe that only HTS heading 7221 is applicable to stainless steel wire rod. In addition, while stainless steel bar is manufactured by both hot-rolling and cold-rolling processes, it is always produced in straight lengths.

See Petition at page I–7 (quotation and footnotes omitted). The above-referenced language was adopted by the Department in the scope definition contained in the preliminary determination:

> For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling, annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

See Preliminary Determination at 10,856.

As the petitioners have stated on the record, their use of the phrase ''only by hot rolling'' is meant to distinguish stainless steel bar, a product that is manufactured both by hot-rolling and cold-rolling processes, from SSWR, described as only manufactured by hot rolling. Thus, the petitioners did not intend to exclude any SSWR product in which the billet used to produce the product undergoes additional processes prior to being hot rolled. The only express exclusions of SSWR products contained in the petitions pertained to SSWR grades SF20T and K-M35FL. Thus, contrary to Nippon's assertion, because UF SSWR is stainless steel that is hot-rolled, annealed, pickled and super finished, or hot-rolled, pickled and super-finished, and otherwise meets the specifications in the scope language, it is within the scope of the investigation.

We also disagree with Nippon that the special processing of the billet used in the production of UF SSWR should be considered a separate, distinct, further processing operation. Contrary to Nippon's assertion, the phrase ''further processing,'' as used by the Department in its questionnaire, was not meant to include processing of the billet prior to hot-rolling but, rather, was limited to the hot-rolling process and subsequent finishing operations. The Department's questionnaire, under the description of further processing, states the following:

Report any and all further processing.
Show ''1'' for hot-rolled
Show ''2'' for hot-rolled, annealed
Show ''3'' for hot-rolled, annealed and pickled
Show ''4'' for other method (indicate method)

See the Department's September 19, 1998, antidumping questionnaire at page C–7. In its response, Nippon reported eight different further processing codes, all beginning with the hot-rolling process and including one or more additional finishing processes (*i.e.*, annealed and/or picked, and/or super finished), which indicates that Nippon understood the information requested by the Department. *See* Nippon's December 15, 1998, Sections B and C questionnaire response at Appendix 26. This conclusion is supported by the fact that Nippon briefly described the UF SSWR production process in its Section A questionnaire response, but did not then include these additional processes in its response to the request for information on further processing. *See* Nippon's December 15, 1998, Section A questionnaire response at page A–38 (''One kind of NSC's stainless steel wire rod, Ultra Fiber (''UF''), undergoes a remelting or reheating process. By remelting twice, non-metallic inclusion is reduced to the minimum, which enables the UF to be drawn to extremely small diameters.''). It was only after the preliminary determination that Nippon presented the argument that the processing operations specific to UF SSWR should be included in the further processing codes.

For the final determination, the Department has continued to limit ''further processing'' operations to the hot-rolling and subsequent finishing processes performed on the rod itself.

With regard to Nippon's argument that the Department's practice justifies assigning separate control numbers to UF SSWR and non-UF SSWR, for the sole reason that UF SSWR undergoes additional processing resulting in differences in chemical composition, we note that, from the outset of this investigation, the Department has consistently held that it would consider four criteria when designating control numbers: grade, diameter, further processing, and coating. As in past investigations involving steel products, we selected ''grade'' as a matching criterion, in place of actual chemical content, because we determined that grade sufficiently defines the chemical content of the merchandise. *See, e.g.*, *Final Determination of Sales at Less Than Fair Value: Certain Stainless Steel Wire Rods from France*, 58 FR 68865 (Dec. 29, 1993). In fact, Nippon supported this decision and argued strongly against the petitioners' request that the respondents report the actual chemical content of each production heat. *See* Nippon's October 21, 1997, submission. The information on the record, and verified by the Department, indicates that the chemical content of Nippon's UF SSWR falls within the ranges of established standard AISI steel grades. The fact that the billet used to produce UF SSWR undergoes certain production processes that allegedly impart to it some particular properties is irrelevant. The process does not alter the steel chemically to the extent that it results in a unique grade of steel: it continues to fall within standard AISI grade designations. Thus, for purposes of the final determination, we continued to use the four matching criteria, including grade, as outlined in our questionnaire, when assigning control numbers to both UF and non-UF SSWR.

We disagree with the petitioners, however, that we should reject Nippon's cost allocation methodology (*i.e.*, that we should continue to allocate UF SSWR costs over all products). It is the Department's longstanding practice to use a single-weighted average cost for all products falling within a particular control number. *See, e.g.*, *Notice of Final Determination of Sales at Less Than Fair Value; Open-End Spun Rayon Singles Yarn From Australia*, 62 FR 43701, 43703 (Aug. 15, 1997). Specifically, the Department's questionnaire directed Nippon to report ''a single weighted-average cost for each unique product as represented by a specific control number.'' *See* the Department's September 19, 1997, Questionnaire at page D–1. For the preliminary determination, Nippon failed to allocate the cost of UF SSWR to the specific control number that included UF SSWR. Following the preliminary determination, Nippon submitted revised sales and cost data which assigned UF SSWR separate control numbers depending on what Nippon defined as the further processing of the billet. This revised cost data was subsequently verified by the Department. In light of our determination that UF SSWR should not be assigned a separate control number, and in accordance with our practice of allocating costs on a control number-specific basis, for the final determination, we have calculated a single-weighted average cost for all products (UF SSWR and non-UF SSWR) falling within a specific control number.

Comment 18: Timeliness of Nippon's UF SSWR Submissions.

The petitioners contend that Nippon's submitted information on its UF SSWR should be rejected by the Department as untimely. According to the petitioners, Nippon first claimed that its UF SSWR sales were outside the scope of this investigation in its March 4, 1998, supplemental questionnaire response. The petitioners assert that Nippon did not submit special product code designations for UF SSWR in the March 4, 1998, submission. The petitioners contend that Nippon did not submit revised cost data to reflect the unique status of UF SSWR until March 23, 1998. According to the petitioners, Nippon did not revise its further processing codes to reflect UF SSWR until its March 25, 1998, clerical errors submission. Finally, the petitioners point out that Nippon submitted corrections to its March 23, 1998, revised cost data submission on May 29, 1998. The petitioners argue that Nippon's submissions, subsequent to the preliminary determination, violate the Department's regulations (*see* 19 CFR section 353.301(b)(1)) and have denied the petitioners an opportunity to adequately comment on the new data. Accordingly, the petitioners urge the

Department to reject Nippon's data as untimely and, instead, rely on facts available.

Nippon argues that it is permitted to submit information at any time in response to the Department's request. *See* 19 CFR 351.301(c)(2). Nippon states that it initially provided information on its UF SSWR on March 4, 1998, in response to the Department's February 25, 1998, supplemental questionnaire, which included a request for information on appropriate model matches. Nippon asserts that its cost data for UF SSWR sales was provided to the Department on March 23, 1998, and was referenced in its March 4, 1998, submission. Nippon further argues that its subsequent submissions relating to UF SSWR (*i.e.*, the March 25, 1998, and May 28, 1998, submissions referenced by the petitioners) were merely corrections to clerical errors. Thus, according to Nippon, its information on UF SSWR was not untimely under the Department's regulations, providing the petitioners an opportunity to comment on this issue since March 1998.

DOC Position

We agree with Nippon that its information placed on the record regarding UF SSWR was requested by the Department pursuant to 19 CFR 351.301(c)(2) and was not untimely filed. In its February 25, 1998, supplemental questionnaire, the Department requested certain new information on the method for model matching, which included a due date of March 4, 1998. In responding to that supplemental questionnaire on March 4, 1998, and providing the requested data, Nippon included a request that its UF SSWR product be excluded from the investigation, based on its analysis of the new information the Department requested. Because Nippon's exclusion request was tied to the new information it submitted at the request of the Department, we find that the submission was received by the due date and, thus, was not untimely filed. See 19 CFR 351.301(c)(2). Subsequently, Nippon submitted cost data and revised further processing codes to support its March 4, 1998, contention that UF SSWR is outside the scope of this investigation. Because this information was filed in response to the Department's request, we did not reject it as untimely for purposes of the final determination.

Comment 19: Appropriate Matching Hierarchy for Further Processing Codes.

Nippon argues that, in the preliminary determination, the Department failed to take into account the similarity of different types of further processing conducted on SSWR when determining the most similar match for U.S. sales of SSWR. Nippon contends that the Department selected the further processing code numerically closest to that of the U.S. product as the most similar type of further processing code, rather than the further processing code most similar in terms of the actual process that is performed on the product. Nippon states that, as a consequence of the methodology used, the Department's preliminary determination program rejected, as matches, products with further processing more similar to the U.S. product than those used in the margin calculation.

The petitioners argue that the Department properly matched further processing codes for purposes of its preliminary determination and should continue to use the same methodology in its final determination. The petitioners contend that, if Nippon believed the Department should change its methodology, Nippon should have submitted detailed cost data supporting its argument (*i.e.*, showing that the cost of annealed products is not substantially greater than the cost of products that were not annealed). The petitioners argue that, because Nippon failed to do so, the Department's model match methodology properly compared U.S. products that have been annealed to home market products that have been both annealed and super finished. The petitioners state that the annealing process is a critical and costly finishing operation that significantly alters the merchandise; in contrast, the super finishing operation is not typically as important as annealing. Thus, according to the petitioners, products that are annealed and super-finished are more similar to products that have been annealed than are products that have not been annealed. The petitioners thus contend that the Department's matching hierarchy for further processing was not simply based on selecting the closest numerical code; rather, it properly selected the next most similar product and, therefore, should not be changed.

DOC Position

We agree with the petitioners. Nippon has provided no support for its claim that the Department rejected, as matches, products with further processing operations more similar to the U.S. product than those used in the margin calculation. For example, Nippon states that a home market product that has been hot-rolled and pickled is a more appropriate match to a U.S. product that has been hot-rolled, annealed, and pickled than a home market product that has been hot-rolled, annealed, pickled and super finished. However, Nippon does not explain why hot-rolled and pickled is, in fact, a more similar further processing match to hot-rolled, annealed and pickled than the Department's selection of hot-rolled, annealed, pickled and super-finished. Without a justification for a change in the methodology, the Department is unable to make a determination as to the merits of Nippon's argument. While Nippon has not provided an argument as to why one methodology is more appropriate than another, the petitioners have argued that the annealing process is a critical and costly finishing operation that significantly alters the merchandise, while the super-finishing operation is not typically as important a finishing operation as annealing. Accordingly, for the final determination, the Department has not altered its model matching methodology.

Comment 20: Denomination of U.S. Sales Prices and the Proper Borrowing Rate to Calculate U.S. Credit Expense.

The petitioners argue that Nippon should have reported its U.S. sales to Japanese trading companies in yen, not dollars, because Nippon conducted its transactions with these customers exclusively in yen. Given that Nippon did not follow the Department's original instructions to report the prices in the currency in which the payment was made, the petitioners argue that the Department should reject Nippon's data. At a minimum, the petitioners urge the Department to make a downward adjustment to Nippon's U.S. prices based on facts available.

The petitioners also assert that, given that Nippon chose to report its prices in U.S. dollars, it should not be permitted to benefit from this misreporting by using a yen-based interest rate. Rather, the petitioners argue that the Department should use the dollar-based interest rate to calculate Nippon's U.S. credit expense.

Nippon argues that, because it reported its net sales prices (*i.e.*, gross unit price minus trading company discount) in yen, as well as the gross price and trading company discount in U.S. dollars, the petitioners' claim that Nippon did not report sales data in yen is inaccurate. Accordingly, Nippon argues that, even if the Department decides to use U.S. sales data in yen, the Department should use the reported sales price, and not apply facts available. Further, if the Department uses U.S. sales data in yen, Nippon asserts that the petitioners' recommended methodology of using the yen-based U.S. price and then converting it back into U.S. dollars would require two currency exchanges using two different exchange rates. Nippon explains that the Department uses the Federal Reserve daily exchange rates, adjusted for fluctuations on the date of the U.S. sale, and that Nippon uses forward exchange rate contracts set a number of days after the shipment date. Accordingly, Nippon asserts that the Department would need to incorporate both of these exchange rates into any conversion of yen-based U.S. price back into U.S. dollars. Nippon observes that this process would be distortive because of the differences in exchange rates. Accordingly, the Department should continue to use the dollar-based U.S. price because it does not require a currency conversion that would distort the U.S. price. Nippon concludes that, regardless of the Department's determination, the Department should use the reported sales price in U.S. dollars for sales made by Nittetsu Shoji because Nittetsu Shoji's sales to its U.S. customers were transacted and billed in U.S. dollars.

Nippon also argues that, while the amount reported on the invoice was denominated in U.S. dollars, the amount it charged to the unaffiliated trading company (i.e., the gross price less a standard discount) was denominated in yen and, therefore, the Department should use Nippon's yen-based borrowing rate when calculating its U.S. credit expense, in accordance with its established practice. *See Final determination of Sales at Less Than Fair Value: Oil Country Tubular Goods from Austria*, 60 FR 33551, 33555 (June 28, 1995) and Policy Bulletin No. 98.2 (February 23, 1998).

DOC Position

We agree with Nippon. In the questionnaire sent to Nippon, the Department instructed Nippon to report the gross unit price recorded on the invoice. In this case, the gross unit price recorded on the invoice is recorded in U.S. dollars. Also recorded on the invoice is the percent discount applicable to the sale and the net price in yen charged to the unaffiliated Japanese trading company. There is no gross price in yen reported on the invoice. Rather, Nippon took the dollar amount, subtracted a 2.5 percent trading company discount, and then multiplied this amount by an exchange rate provided in the invoice. Accordingly, since Nippon reported its sales in accordance with the Department's instructions (*i.e.*, it reported the gross unit price recorded on the invoice), we have continued to use the information provided by Nippon in the final determination.

Additionally, Nippon provided a separate field in which it reported the net unit price charged to the trading company, which it defined as the gross price less the standard trading company discount converted to yen using the exchange rate reflected on the invoice. We confirmed at verification that Nippon received the yen-denominated amount from the trading company. Therefore, in accordance with the Department's practice, as outlined in Policy Bulletin No. 98.2 (February 23, 1998), for the final determination, we used Nippon's yen-based borrowing rate when calculating U.S. credit expenses. However, because sales by Nittetsu Shoji to unaffiliated customers in the United States were denominated in U.S. dollars, for the final determination, we continued to use the dollar-based interest rate when calculating U.S. credit expense for Nittetsu Shoji's U.S. sales.

Comment 21: Time Period for Calculating Credit Expense.

Nippon points out that, in the preliminary determination, in calculating credit expense for Nittetsu Shoji, the Department used, as the date of payment, the maximum number of days that Nittetsu Shoji waited to exchange the letter of credit for such sales for cash, rather than the average number of days. Nippon notes that the Department did not use the average number of days reported by Nittetsu Shoji because this number was unsubstantiated in the questionnaire responses. Nippon now argues that, because actual payment dates were not readily accessible in its accounting system, it followed the Department's instructions and reported the average age of accounts receivables. Nippon asserts that, at verification, the Department verified Nittetsu Shoji's use of the average number of days in its reporting and calculations. Nippon also notes that the Department specifically reviewed the payment dates and found no discrepancies in Nittetsu Shoji's calculation of the short-term interest rates. Accordingly, for purposes of the final determination, Nippon urges the Department to use the average number of days, rather than the maximum number of days that a letter of credit was outstanding, when calculating Nittetsu Shoji's U.S. credit expense.

The petitioners counter that, while the Department found no discrepancies in the interest rates, the Department did not verify the accuracy of the payment periods reported by Nittetsu Shoji. In fact, the petitioners argue that the Department found at verification that, for at least one U.S. sale, Nittetsu Shoji had not reported the payment dates accurately (*i.e.*, Nittetsu Shoji understated the actual payment period). Accordingly, given that Nippon failed to demonstrate at verification that the payment periods were accurate, the petitioners urge the Department to reject the payment periods reported by Nippon and, instead, rely on the longest payment period reported for Nippon's U.S. sales as facts available.

DOC Position

We agree with Nippon. The payment period reported by Nittetsu Shoji is an average payment period. As an ''average,'' this payment period may be longer for some sales, as in the example cited by the petitioners, while it may be shorter for other sales. Our questionnaire permits the use of an average payment period where a respondent asserts, and the Department verifies, that the actual payment dates are not readily accessible in the respondent's accounting system. *See* Questionnaire at page C–23. Moreover, at verification, while the Department verified the payment dates of individual sales, it did not verify the average number of days used in the credit calculation. Because the range of payment dates analyzed at verification is comparable with the range of payment dates reported by Nittetsu Shoji, we have determined that, for the final determination, it is appropriate to use the average number of payment days reported by Nittetsu Shoji when calculating credit expense.

Comment 22: Home Market Credit Expenses.

The petitioners argue that Nippon's Verification Report at page 6 indicates that the payment terms reported by both Nippon and Nittetsu Shoji do not properly reflect the actual credit expenses incurred. Specifically, the petitioners note that the Department found at verification that, for one of the home market sales traces, Nittetsu Shoji received advance payment and, as a result, paid the customer interest on that payment amount until the originally agreed upon payment due date. The petitioners argue that credit expenses must be reported based on the expenses actually incurred, not on Nippon's estimation of what its credit expenses were. The petitioners contend that, assuming that Nittetsu Shoji or Nippon actually paid their customers interest on prepayments, Nippon should have reported the actual payment dates and the amount of interest paid for all sales. The petitioners state that, because Nippon failed to provide the information requested by the Department, and did not demonstrate at verification that the information contained in its questionnaire response was correct, the Department should reject Nippon's home market credit expense adjustment.

Nippon counters that, because its reporting and calculation of home market imputed credit expense was consistent with the Department's instructions, and was subsequently verified, it should be used in the final determination. First, Nippon argues that it would be unreasonable for the Department to reject all of Nippon's credit expenses when the alleged error related only to sales by Nittetsu Shoji, not Nippon. Second, the petitioners' complaint that Nippon did not report actual credit expenses should be disregarded because imputed expenses by their nature are not actual expenses. Nippon explains that the imputed credit expense requested from a respondent and used by the Department in its margin calculations represents the theoretical opportunity cost to the respondent for extending credit to its customers until the payment date and, as such, is not an actual amount. In addition, Nippon states that the sales trace noted by the petitioners represents an anomalous payment of interest by Nittetsu Shoji to a customer who paid the invoice before the due date. As such, while imputed credit expense is the theoretical cost to Nittetsu Shoji of lending money to its customer through extended payment terms, the sale noted by the petitioners involves the opposite, a loan by the customer to Nittetsu Shoji with the payment by Nittetsu Shoji to the customer representing a payment of interest on the short-term loan. Therefore, Nippon contends that Nittetsu Shoji's payment of interest to this one customer should have no bearing on Nippon's imputed credit expense adjustment.

Third, Nippon notes that, because the interest amount Nittetsu Shoji paid to the customer on the prepayment was greater than the average short-term interest rate used by Nittetsu Shoji to calculate imputed credit expense, Nittetsu Shoji's methodology did not result in a benefit to Nittetsu Shoji, but rather was a conservative methodology for calculating imputed credit expense which followed the Department's standard practice.

Finally, Nippon argues that its reporting of home market imputed credit expense was consistent with the Department's instructions. Citing the Department's verification report for Nittetsu Shoji, Nippon notes that the Department found no significant discrepancies or inconsistencies with the questionnaire responses. Accordingly, Nippon contends that the petitioners' argument that Nittetsu Shoji failed to demonstrate at verification that the information contained in its questionnaire response was correct is in direct conflict with the Department's verification report.

DOC Position

As noted by Nippon, imputed credit expenses represent the opportunity cost to the respondent of extending credit to its customers until the payment due date. As such, they are not actual expenses incurred and recorded by a respondent. *See, e.g., Certain Fresh Cut Flowers from Colombia: Final Results of Antidumping Duty Administrative Review*, 63 FR 31724, 31727 (June 10, 1998). We use such opportunity costs when there is no actual credit expense recorded on the books of the respondent. When a customer pays a respondent for merchandise after shipment of the merchandise, the opportunity cost to that respondent is the number of days between shipment and payment times the respondent's short-term borrowing rate applied to the gross unit price less any discounts. *See* Policy Bulletin No. 98.2 (Feb. 23, 1998). However, when a customer prepays for the merchandise, and then is paid interest on that prepayment, the actual cost to a respondent for offering extended payment terms is the amount of interest paid to the customer between the date of payment and the agreed upon payment due date and there is no need to calculate an opportunity cost. Accordingly, this is the amount that should have been reported to the Department, along with the date the customer paid for the merchandise and the agreed upon payment due date. The methodology employed by Nittetsu Shoji in calculating imputed credit expenses for the particular sale in question did not accurately reflect its costs of extending credit to this customer.

However, we note that this was the only verified instance in which Nittetsu Shoji received prepayment and then paid interest to the customer. *See* the Department's May 5, 1998, Sales Verification Report for Nittetsu Shoji at pages 5–6. Moreover, we did not note any instances in which Nippon received prepayment and then paid interest. Therefore, we disagree with the petitioners that Nippon and Nittetsu failed to demonstrate at verification that the information contained in Nippon's questionnaire response was correct and that, therefore, the Department should reject the home market credit expense claimed by Nippon and Nittetsu Shoji. Moreover, Nippon stated that this prepayment to Nittetsu Shoji was anomalous (*i.e.,* not in accordance with its usual practice), demonstrating that it would have been beneficial to Nittetsu Shoji to report the interest it had paid in lieu of the imputed credit expense it incurred.

Accordingly, for the final determination, we have continued to use the credit information provided by Nippon and Nittetsu Shoji.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of SSWR from Japan—except for merchandise produced and sold by Hitachi Metals Ltd., which received a zero margin—that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the U.S. price, as indicated in the chart below. These suspension-of-liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Daido Steel Co. Ltd.	34.21
Nippon Steel Corporation	21.18
Hitachi Metals Ltd.	0.00
Sanyo Special Steel Co., Ltd.	34.21
Sumitomo Electric Industries, Ltd.	34.21
All Others	25.26

Pursuant to section 735(c)(5)(A) of the Act, the Department has excluded any zero and *de minimis* margins, and any margins determined entirely under section 776 of the Act, from the calculation of the ''All Others Rate.''

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, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to section 777(i) of the Act.

Dated: July 20, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–20020 Filed 7–28–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–401–806]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Wire Rod From Sweden

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

EFFECTIVE DATE: July 29, 1998.

FOR FURTHER INFORMATION CONTACT: Everett Kelly or Brian Smith, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–4194 or (202) 482–1766, respectively.

The Applicable Statute

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

Final Determination

We determine that stainless steel wire rod (''SSWR'') from Sweden is being sold in the United States at less than fair value (''LTFV''), as provided in section 735 of the Act. The estimated margins are shown in the ''Suspension of Liquidation'' section of this notice.

Case History

Since the preliminary determination (*i.e., Notice of Preliminary Determination of Sales at Less Than Fair Value: Stainless Steel Wire from Sweden*, 63 FR 10841 (March 5, 1998)), the following events have occurred:

In February 1998, we requested additional information from Fagersta Stainless AB (''Fagersta'') concerning grade specifications and corresponding matching control numbers. In March 1998, we received responses to these questionnaires, as well as supplemental responses to Sections D and E of the Department's antidumping questionnaire. Also, Fagersta submitted revised sales and cost databases.

From March to May 1998, we conducted verification of Fagersta's responses to the antidumping questionnaire. In May 1998, we issued our verification reports for Fagersta, Fagersta's home market affiliates AB Sandvik Steel (''Sandvik'') and Avesta Welding, and Fagersta's U.S. affiliates Sandvik Steel Company (''SSUS''), Avesta Sheffield Inc. (''ASI''), Amstek Metal (''Amstek'') and the Kanthal Corporation.

Also in May 1998, AL Tech Specialty Steel Corp., Carpenter Technology Corp., Republic Engineered Steels, Talley Metals Technology, Inc., and United Steelworkers of America (''the petitioners'') withdrew their request for a hearing. The petitioners and Fagersta submitted case briefs on June 2, 1998, and rebuttal briefs on June 9, 1998. On June 12 and 15, 1998, we held separate meetings with Fagersta and the petitioners, respectively, concerning the level of trade issue raised in their case briefs and rebuttal briefs.

On June 23, 1998, Fagersta requested that certain alloy metal wire rod and wire for electric resistance heating material and heating elements be excluded from the scope of the investigation. On July 6, 1998, the petitioners stated that they agreed that the scope of this investigation should exclude the products in question. On July 8, 10 and 14, Fagersta provided detailed scope descriptions and clarifications for the products it requested be excluded from the scope of this investigation (*see* ''Scope of Investigation'' section of this notice for further details).

Scope of Investigation

For purposes of this investigation, SSWR comprises products that are hot-rolled or hot-rolled annealed and/or pickled and/or descaled rounds, squares, octagons, hexagons or other shapes, in coils, that may also be coated with a lubricant containing copper, lime or oxalate. SSWR is made of alloy steels containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. These products are manufactured only by hot-rolling or hot-rolling annealing, and/or pickling and/or descaling, are normally sold in coiled form, and are of solid cross-section. The majority of SSWR sold in the United States is round in cross-sectional shape, annealed and pickled, and later cold-finished into stainless steel wire or small-diameter bar.

The most common size for such products is 5.5 millimeters or 0.217 inches in diameter, which represents the smallest size that normally is produced on a rolling mill and is the size that most wire-drawing machines are set up to draw. The range of SSWR sizes normally sold in the United States is between 0.20 inches and 1.312 inches in diameter. Certain stainless steel grades are excluded from the scope of the investigation. SF20T and K-M35FL are excluded. The following proprietary grades of Kanthal AB are also excluded: Kanthal A–1, Kanthal AF, Kanthal A, Kanthal D, Kanthal DT, Alkrothal 14, Alkrothal 720, and Nikrothal 40. The chemical makeup for the excluded grades is as follows:

SF20T

Carbon	0.05 max.
Manganese	2.00 max.
Phosphorous	0.05 max.
Sulfur	0.15 max.
Silicon	1.00 max.
Chromium	19.00/21.00.
Molybdenum	1.50/2.50.
Lead	Added (0.10/0.30).
Tellurium	Added (0.03 min).

K–M35FL

Carbon	0.015 max.
Silicon	0.70/1.00.
Manganese	0.40 max.
Phosphorous	0.04 max.
Sulfur	0.03 max.
Nickel	0.30 max.
Chromium	12.50/14.00.
Lead	0.10/0.30.
Aluminum	0.20/0.35.

KANTHAL A–1

Carbon	0.08 max.
Silicon	0.70 max.
Manganese	0.40 max.
Chromium	20.50 min, 23.50 max.
Aluminum	5.30 min, 6.30 max.
Iron	Balance.

KANTHAL AF

Carbon	0.08 max.
Silicon	0.70 max.